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WORLD NEWS

Water plant victims win damages

Survivors of the Abbeystead water plant disaster in May 1984, and relatives of the 19 people killed in the methane gas explosion, yesterday won a battle for compensation.

Mr Justice Rose ruled that the plant's designers and builders and the operator, North West Water Authority, had all been negligent. Claims total between £1.5m and £2m. Page 6

Spy case appeal planned

The Prime Minister confirmed that the Government intended to appeal against a New South Wales Supreme Court decision to allow publication of the memoirs of ex-MI6 officer Peter Wright. Back Page; Legal blow, Page 4

Liverpool crisis talks

A delegation from Liverpool is to meet Environment Secretary Nicholas Ridley and Local Government Minister Rhodes Boyson next week to discuss the city's financial crisis. Back Page

Moscow harder on arms

The Soviet Union hardened opposition to the inclusion of curbs on shorter-range missiles in any deal to eliminate intermediate nuclear forces from Europe, according to western officials. Page 2

Chernobyl trial soon

The men accused of being responsible for the Soviet Union's Chernobyl nuclear disaster last year are to go on trial soon at Kiev. Page 2

Ulster police in blast

Four policemen were injured when a Provisional IRA bomb exploded outside a Belfast cemetery shortly before the funeral of a murdered colleague was due to take place. Page 5

Ferry toll 'may top 200'

Belgian Transport Minister Herman de Croo said the Zeebrugge ferry disaster might have caused 200 deaths. Towns- end Thoresen said it still believed there were 134 presumed dead.

Ship blaze kills 13

Thirteen workmen were killed in a fire on an Italian liquefied gas cargo ship which was being repaired near Ravenna on the Adriatic.

Life for rapist

Retail manager Errol Henry, 28, received six life sentences at Stafford after admitting five rapes and an attempted rape.

Gunman hunted

A gunman was being hunted last night after wounding two police officers after an abortive raid on a warehouse in south London.

More DHSS staff

Social security officers are to have an extra 4,000 staff because of the workload arising mainly from unemployment benefit claims. Page 6

Benefits court victory

The appeal court allowed a plea by Dorothy Moran, of Birkenhead, who suffers from epilepsy, which could lead to the Department of Health and Social Security paying millions of pounds in extra benefits. Page 4

Demonstrators hurt

Three people were hurt at Hull University as the driver of a car carrying Tory MP Harvey Proctor attempted to avoid a student demonstration.

Rally crash death

A spectator was killed and 12 injured on the Marao stage of the Portuguese motor rally, the second fatal crash in successive years.

BUSINESS SUMMARY

Citicorp acts on loans to Brazil

CITICORP, world's largest banking group, warned that it may have to make provisions from reported earnings against \$3.9bn (£2.48bn) of loans to Brazil.

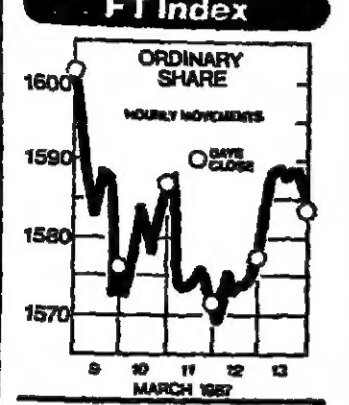
The announcement is likely to put pressure on other US creditors to downgrade most debts owed by Brazil, which last month froze interest payments on its foreign bank debt. Back Page

STERLING: Cautious speculators

Speculators trimmed back their positions before Tuesday's budget as sterling ended a hectic week near its lowest levels for several days. Back Page, Money Markets, Page 13

LONDON EQUITIES: Budget hopes

of lower income tax and interest rates revived markets yesterday. The FT-SE 100 share index closed at 2,000.0 a rise



of 10.3 on the day and 1.8 on the week. The FT Ordinary Share index ended at 1,583.8, a rise of 5.9 on the day and a 17.5 point decline on the week. Page 13

THORN EMI's appliances

and lighting division chairman resigned in a move which puts a question mark over the group's future refrigeration activities. Back Page

VOLKSWAGEN, West German

car maker which may have lost millions of pounds in a suspected currency fraud, dismissed the head of its foreign exchange department. Page 11

ALUSUISSE, troubled Swiss

aluminium group, plans to use half its share capital and its legal reserve to meet two-year losses of SFr 1.44bn (£587.6m). Page 11

RANK XEROX, UK offshoot

of Xerox Corporation, is in advanced negotiations to sell its South African arm. Page 3

JAPANESE Prime Minister

Yasuhiro Nakasone wants to press ahead with a proposed sales tax in spite of a nine-day opposition boycott and a move to have him expelled from his own party.

WALT DISNEY COMPANY and

France expect to sign by May a contract for Europe's first Disneyland amusement park, initial investment for which has been put at \$1.3bn (£825m).

CATERPILLAR, US earthmoving

equipment maker, said in an ultimatum that it would close its plant at Uddingston near Glasgow by mid-May if workers did not soon end their occupation of the factory. Page 7

BANK PAY RISE: Three clearing

banks have offered a 5 per cent, national pay rise to about 200,000 workers through only one of two unions recognised for collective bargaining. Page 7

BTF, chemicals group, won

the battle for Barrow Humber, declaring its £31.8m bid unconditional after gaining control of 52.1 per cent of the chemical and engineering group's shares. Page 10

BRITISH & Commonwealth

Holdings, financial services and transport group, is to take a 24 per cent stake in Appletree Holdings, snack-foods maker and fresh produce distributor, which is moving to a full listing. Page 10

Midland Bank quits market making after incurring heavy losses

BY DAVID LASCELLES AND HUGO DIXON

MIDLAND BANK last night became the first major casualty of the Big Bang deregulation of the City by deciding to pull out of equity market making after running up heavy losses.

Mr Ernst Brutsche, chief executive of Midland Montagu, the newlycreated investment banking arm, said that Greenwell Montagu Securities had accumulated trading losses of £6m since it opened for business on Big Bang day, October 27.

He also said Mr Russ Hammond, joint managing director of Greenwell Montagu Securities, would be leaving the company. He is to be replaced by Mr Keith Brown, the head of research.

Mr Brutsche said the proliferation of marketmakers had eliminated the profit potential for jobbing. "We thought we would gain new business from doing this but we have not gained new customers."

Greenwell Montagu Securities will concentrate on providing an agency broking service and research into equity stocks. Midland Montagu's glib-edged market making activities and private client services will continue as normal.

Yesterday's decision is a blow to Midland Bank's plans to develop a leading presence in the securities business, but it bears out widespread predictions that the greatly intensified competition unleashed by the deregulation of the financial markets would force some market makers to retreat.

It comes only three weeks after Midland launched Midland Montagu as the vehicle for its operations in the securities markets and merchant banking in the UK and overseas.

Last week, Sir Kit MacMahon, Midland's chief executive, commented at the announcement of the bank's annual results that it was losing money on equity dealing. But he said he was satisfied with Midland Montagu's overall performance.

Since then equity losses have accelerated. The decision to pull out was taken on Thursday evening.

Mr Brutsche said Midland had invested almost £10m in equity market making, the operation employing 38 people. Only 10 of these would now be needed, with some staff being redeployed.

Unlike some of its competitors in Big Bang, Midland Bank had decided not to buy a jobbing firm. Instead, it built up its own market making operation alongside W. Greenwell, a stockbroking firm it had acquired.

The view in the City last night was that this had handicapped Midland's ability to win business. Mr Brutsche said this was "a factor" in the decision.

In a bid to acquire market share, Greenwell Montagu Securities had also guaranteed to match the best prices in the market and so had been dealing at very fine—if not negative—margins.

Mr Brutsche said that recapitalising the business would have been too expensive, and acquiring a new jobbing firm was not viable. Midland Montagu had also considered, but rejected, the possibility of reducing the range of 400 stocks in which it made markets.

Last night's decision will make Midland a lesser force in the securities markets compared with its main clearing bank rivals National Westminster and Barclays, both of which are developing large market making operations. Lloyds Bank had never gone into equity market making.

Many people in the City believe the ability to make markets in stocks is the key to a successful integrated securities business in the deregulated environment.

Midland maintains it can still operate successfully with its agency and research services, which are the recognised strengths of W. Greenwell.

However, the majority of share dealing in London is done directly through market makers rather than through brokers, and Mr Brutsche admitted there was a danger that some of the firm's analysts would now leave.

Lex. Back Page; London Stock Exchange, Page 13

European Airbus models closer to formal launch

BY MICHAEL DONNE IN LONDON AND GEORGE GRAHAM IN PARIS

THE NEXT generation of European Airbus, the proposed long-range A-340 and medium-to-long range A-330, moved to wards formal launch yesterday.

The Airbus Industrie consortium announced it had commitments for 104 aircraft from nine airlines.

As a result, Airbus partner companies including British Aerospace will increasingly press their governments in the next few weeks to provide funds to ensure a formal launch of the ventures by the middle of next month.

The A-340 is a four-engine, ultra-long-range airliner, designed to carry up to 295 passengers over distances of nearly 8,000 nautical miles.

The A-330 is a smaller, twin-engine aircraft designed to carry up to 286 passengers over distances of 3,200 nautical miles.

The level of commitment for the aircraft was revealed after a meeting of the Airbus supervisory board in Toulouse, France, yesterday.

The airlines involved were not named and details of their commitments were not revealed. However, Lufthansa of West Germany is known to have ordered 15 A-340s with another 15 on option and Air France is planning at least seven A-340s initially.

At least one other European airline is a potential customer. Airbus initially said it would like five launch customers to justify proceeding.

Yesterday the Airbus board said the commercial and industrial objectives it had set over a year ago "have been fulfilled and a strong basis for a commercially successful programme has been established."

As a result the board had decided "to take all necessary steps for a formal launch decision by mid-April 1987, to ensure first deliveries of the A-340 in May 1992, to be followed by first deliveries of the A-330 a year later."

Airbus says it foresees a market for up to 500 A-330s and 490 A-340s, for a total of 990 aircraft by the end of the century. Both aircraft will have similar fuselages, wings and systems.

According to Airbus, the two aircraft will cost about \$2.5bn (£1.58bn) for research and development alone, with an additional sum for initial production. The overall cost is thus likely to be about \$4bn.

Only the French Government appears fully behind the programme. The German government has still to make up their minds on financial support. Yesterday

the French Government reserved its position until such time as the consortium had presented to it a full set of proposals.

However, Mr Jacques Chirac, the Prime Minister, has publicly committed himself to the principle of extending the Airbus range. Officials said government support for the new aircraft would be given when they were fully convinced the programme was economically viable.

None the less they believe that if Airbus is to continue in existence it is essential it should be able to offer a complete range of civilian airliners extending up to the long-range A-340.

In addition, the prospect of 30,000 more jobs in the Toulouse region has added to the political importance of the A-340 programme.

French airlines have not yet fully committed themselves to the programme. Air France has expressed strong interest in buying seven A-340s but has not completed negotiations and has some doubts on the engines proposed for the aircraft.

Government officials have also expressed concern over the viability of the Superfan engine, one of the two planned for the aircraft.

Scale of Liberal win at Truro is blow to Tories

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LIBERALS yesterday secured a bigger-than-expected victory in the Truro by-election, dashing Conservative hopes of stemming the recent upsurge in electoral support for the Alliance.

Mr Matthew Taylor, the Liberal candidate, polled 30,599 votes, raising the 1983 majority of the late Mr David Penhaligon by just over 4,000 to 14,617.

Liberals had feared a reduced majority because of a fall in the personal vote previously attracted by Mr Penhaligon but in a turnout of just over 70 per cent, there was a swing of 4.8 per cent from the Conservatives to Labour.

The result was greeted with inevitable disappointment by ministers and provides no encouragement for those who favour an early general election.

Mr Taylor was Mr Penhaligon's research assistant at Westminster and, at 24, becomes the youngest MP. He will take his seat on Tuesday, immediately before the Chancellor makes his Budget speech.

Mr Taylor said after his victory: "I am delighted with the increase in majority and the overwhelming endorsement of the people of the constituency. I am not going to be a second David Penhaligon: I am going to be the first Matthew Taylor."

The Conservative candidate, Mr Nicholas St Aubyn, came second with 15,982 votes although his share of the poll fell by over 6 per cent, largely to the benefit of the Liberals.

Labour trailed well behind in third place with 3,603 votes, but

WEEKEND FT



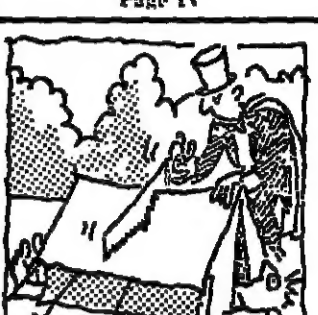
CANTILLON

Richard Cantillon, the colourful 18th century economist, may have been murdered. But he understood the first principles of monetarism...

Page 1

FINANCE

What to watch out for in Tuesday's Budget
Page 14



HOW TO SPEND IT

The right kind of leakproof tent for the right kind of footpoo camping
Page XV

Goldman Sachs purchased forged Exxon Eurobonds

BY CLARE PEARSON

GOLDMAN SACHS, the US securities house, revealed yesterday it had bought forgeries of Eurobonds issued by Exxon, the US oil company, worth \$2.2m (£1.4m) on behalf of a customer.

The forgeries appear to be part of one of the largest such operations yet uncovered in the Eurobond market.

City of London police said a man had been arrested in connection with the sale of the counterfeit bonds.

Goldman's discovery follows announcements last week by Euroclear and Cedel, the Brussels and Luxembourg-based Euroclear clearing systems, that they had uncovered counterfeit bonds of the same issue by Exxon with a total face amount of \$19m.

Goldman's loss is covered by insurance. The company was informed that the bonds were forged after they had been presented for clearance at Euroclear.

The clearing systems had earlier said they had identified the forgery by comparing the authenticating signatures with those of outstanding Exxon bonds.

The \$1.8m issue for Exxon, which was launched in 1984, was of zero coupon bonds, which do not pay interest. They are therefore attractive instruments for a forger since there is no need to present the bonds for annual coupon payments.



BOOKS

V. S. Naipaul's new novel
Page XVI

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BROWN SHIPLEY RECOVERY FUND

Pop world records tax victory

BY HUGO DIXON

THE world of pop music has won a battle against the Treasury raging since December.

Tax rules unveiled then which, it was claimed, would keep foreign pop stars out of Britain, are to be modified.

Mr Norman Lamont, Financial Secretary to the Treasury, announced in a Commons written reply yesterday.

"It's magic," said Mr Eric Longley, a tax manager at Arthur Young, the accountants, which took a leading role in opposing the proposals.

"It is good news for the pop industry, the recording industry and the classical music industry."

The proposals were aimed at foreign entertainers and sports people who earned money during visits to the UK but did not pay tax. They were to have had tax deducted at the basic rate from any money they earned before they received it.

The regulations were drawn so widely that royalties from records sold in the UK would have been eligible to tax if the performer visited the country and gave concerts to promote them. This raised fears that

many foreign stars would stay away.

"In the light of representations, we have decided to exclude payments which arise from the sale of records from the scope of the regulations," Mr Lamont said. "This reflects the fact that they are currently treated as exempt from tax under many of our double tax treaties."

The new rules, to be published in full on March 25, also raise the limit beneath which tax will not have to be deducted at source from £500 to £1,000. They are planned to come into force on May 1st.

CONTENTS

Budget making: a lucky Chancellor hits jackpot	8	Editorial comment: Mr Lawson as pragmatist	8
Man in news: Arturo Cruz, Contra leader	8	Zeebrugge disaster: when it's easier to take than to give	9
		Big Bang in the theatre: well versed in City ways	9
Appointments	15	European Options	15
Bank Rates	15	FT Actuaries	14
Base Rates	4	Foreign Exchange	13
Big Six	4	Gold	11
Company News	11	Int'l company news	11
Commodities	11	Leader Page	8
Company News	11	Stock Markets	9
Economic Data	5	Lex	20
		London Options	13
		Money Markets	12
		Overseas News	2, 3
		Recent Issues	10
		Share Information	18, 19
		SE Dealings	14
		Stock Markets	12
		UK News	4-6
		Weather	20
		Wall Street	12
		Bourses	12

MARKETS

DOLLAR
New York lunchtime:
DM 1.8525
FFr 6.165
Sfr 1.553
Y152.575
London:
DM 1.853 (1.8605)
FFr 6.175 (6.19)
Sfr 1.5535 (1.5595)
Y152.6 (153.6)
Dollar index 104.2 (104.1)
Tokyo close Y153.48

US LUNCHTIME RATES
Fed Funds 6.0%
3-month Treasury Bills:
yield 5.79%
Long Bond: 100 13/64
yield: 7.49%

GOLD
New York: COMEX April latest \$404.7
London: \$404.75 (\$410.0)
Chief price changes yesterday, Back Page

STERLING
New York lunchtime \$1.573
London: \$1.575 (1.585)
DM 2.2175 (2.255)
FFr 9.715 (9.83)
Sfr 2.4475 (2.475)
Y240.25 (244.0)
Sterling index 71.6 (72.3)
LONDON MONEY
3-month interbank:
closing rate 918% (same)
NORTH SEA OIL
Brent 15-day April (Argus)
417.875 (\$17.775)
STOCK INDICES
FT Ord 1583.9 (+5.9)
DM All Share 987.23 (+0.5%)
FT-SE 100 2,000.0 (+10.3)
FT-SE 100 gilt yield index:
High coupon 9.23 (9.24)
New York lunchtime:
DJ Ind Av 2,263.92 (+3.42)
Tokyo:
Nikkei 12,407.95 (+27.75)

CONTINENTAL SELLING PRICES: Austria Sch 20; Belgium Bfr 46; Denmark Kr 4.66; France Ffr 6.50; W Germany DM 2.20; Ireland Pp 1.10; Italy L.1,000; Malta Mlta 30; Netherlands f. 3.60; Norway Nkr 4.76; Portugal Esc 100; Spain Ps 166; Sweden Kr 4.66; Switzerland Sfr 2.20.

OVERSEAS NEWS

Soviets harden line on short range missiles

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE SOVIET UNION has hardened its opposition to including constraints on shorter-range missiles in any agreement to eliminate intermediate nuclear forces (INF) from Europe, according to Western officials.

In particular, Moscow has made it clear in the U.S.-Soviet arms control negotiations in Geneva over the past 24 hours that it is withdrawing its offer to freeze shorter-range missiles with a range of 500 km to 1,000 km.

The problem of short-range missiles has begun to loom large in negotiations as prospects for an agreement on abolition of medium-range nuclear weapons in Europe—Soviet SS-20s and US Pershing 2 and Cruise missiles—have improved.

Some of the euphoria created by Mr Mikhail Gorbachev's statement on February 28 that he was prepared to break the link he had previously established between an INF agreement and accords on strategic and space weapons has already been dissipated as the two sides begin to examine the fine print.

Both the US and the Soviet Union still agree that they want to get rid of all medium-range weapons in Europe over five years, but the West insists that constraints on shorter-range weapons must form part of the deal.

However, as Mr Viktor Karpov, the head of the Soviet

Foreign Ministry's arms control department, made clear in London last Thursday, Moscow refuses to contemplate a package deal which would make an agreement on shorter-range weapons a pre-condition for an INF accord.

Instead, the Soviet Union is proposing "parallel" negotiations on shorter-range weapons, which would be held at roughly the same time as the INF talks. It has also offered to include in an INF treaty the immediate withdrawal of some shorter-range nuclear missiles from East Germany and Czechoslovakia.

The Soviet Union proposed at the Reykjavik summit last October that both sides should freeze shorter-range missiles at their current levels as a prelude to their reduction and eventual elimination.

The US, however, made a counter-proposal in Geneva last week that the two sides should establish equal ceilings for short-range missiles at around the present Soviet level, which would allow Washington to increase its force of shorter-range missiles. Behind the US position is the fear, particularly among European allies, that eventual elimination of both medium and short-range nuclear weapons would leave Europe exposed to Soviet superiority in conventional forces.

Italians reduce official discount rate to 11.5%

BY JOHN WYLES IN ROME

THE ITALIAN authorities yesterday reduced the official discount rate by half a percentage point to 11.5 per cent in a cautious move which still leaves real interest rates in Italy higher than in most other European countries.

The rate has been held steady at 12 per cent since May 26 despite a fall in the underlying rate of consumer inflation from more than 6 per cent to 4.5 per cent.

Since then, however, the Bank of Italy and the Treasury

wanted to avoid any difficulties in financing Italy's large public sector deficit amounting to 14 per cent of Gross Domestic Product.

The statement announced the imposition of a new reserve requirement on Italian banks in response to growing credit demand from abroad.

They will be required to hold in reserve 25 per cent of their average monthly foreign currency holdings, net of reinvestments abroad and onward lendings to other credit institutions.

Chernobyl team to be put on trial

By Patrick Cockburn

THE SOVIET UNION is to put on trial the men accused of being responsible for the disaster at the Chernobyl atomic power plant in April.

Mr Andronik Petyosyants, head of the State Committee for Atomic Energy, said yesterday that court proceedings would start soon in Kiev, capital of the Ukraine.

He was unable to name the men accused of allowing one of the Chernobyl reactors to explode. "All I can say is that the court will meet soon in Kiev," Mr Petyosyants said.

The Soviet Union, at an international meeting in Vienna last year, blamed the disaster at Chernobyl on human error and design weaknesses in the RBMK-1000 atomic reactor.

It said operators had shut down safety mechanisms in violation of regulations, in order to complete an experiment.

Mr Petyosyants said that the Soviet Union was now satisfied with the overall safety of the Chernobyl type reactors.

He added that out of the four reactors at Chernobyl, two were operating at full power, the third would restart in the second half of this year, and the fourth, which had exploded in 1986, was now encased in concrete.

Another two reactors are to be built at the same site. Mr Frederick Bernthal, an American specialist in nuclear power and a member of the US Nuclear Regulatory Commission, who visited Chernobyl recently, said that an inspection of the damaged reactor showed that "emission of radiation into the atmosphere was very low."

The Soviet Union had not yet completed some of the modifications to the Chernobyl-type reactor, but that an accident was now much less likely to occur.

The quality of the staff had been improved and it was now impossible to withdraw the control rods from the reactor beyond a certain point.

Chad town bombed

Lihya led three bombing raids on Thursday night on the northern Chad town of Fada, Chad radio reported, AP writes from Abidjan.

Steven Butler and Wong Sulong look at a crisis which has hit an oil-rich state

Mahathir lets Sarawak rivals fight it out



elections, it is the first Sarawak party formed explicitly on racial lines.

While other major Sarawak parties receive support from one group or another, they are still multi-racial and this has helped defuse potential friction in the state.

Out of Sarawak's 1.5m population, a third are Dayaks, 30 per cent Chinese, 30 per cent Malays, and the rest other natives.

The image of Dayak life is rather firmly set in the Western mind. The image of the largest sub-group of Dayaks, who live mainly in communal longhouses in the jungle.

They are the descendants of

Borneo's famed headhunters who chased their prey with blow pipes and poisoned darts. A motley collection of smoke-blackened skulls still grace the beams in common areas of their long homes-on-stilts.

Educated Dayaks are voicing increasing complaints that although they are defined as bumiputras, or "native" under Malaysian law, they have not received the same kind of benefits that have accrued to the Malays.

Leaders of the PBDS are voicing complaints about the status of the Dayak language, and the impact of extensive logging on the interests of people who live in the forest.

Logging destroys hunting and farming grounds, pollutes rivers and leaves the Dayaks with nothing, the leaders say.

This can be especially cruel when groups of Dayaks have tried and failed to obtain their own timber concessions and have watched these flow to businessmen with connections.

The Dayaks yearn for a chief Minister from their own race and look towards neighbouring Sabah where the Kadazans have succeeded in having one of their own appointed head of government.

The PBDS is articulating a groundswell of discontent among the Dayaks, but it had not succeeded, so far, in galvanising the bulk of Dayak support behind it.

The rebels under Tun Rahman have opposed the snap election on the grounds it will fan tensions in Sarawak. This feat may still be premature and their real concern may be the enormous expense of the campaign and the difficulty of winning.

Yet the growing racial and cultural consciousness among the Dayaks is sure to emerge as a major theme of the campaign.

As in so many previous political battles in Sarawak, the role of the Federal Government is often crucial in deciding the outcome.

But this time, Dr Mahathir Mohamad, the Prime Minister, has indicated his neutrality. He has heard the views of the two rival camps seeking his support, and told them to fight it out democratically and constitutionally, without jeopardising the security of the state.

Dr Mahathir himself is facing a strong challenge in the April elections of his ruling United Malays National Organisation, from Tengku Razaleigh, the Trade Minister, and does not want to get dragged into another political minefield.

Yeutter sees dangers in trade bill plans

BY LIONEL BARBER IN WASHINGTON

MR CLAYTON YEUTTER, US Trade Representative, yesterday welcomed the rapid progress being made in Congress on a trade bill, but said that many lawmakers were still backing legislation containing "very dangerous provisions."

He said the Reagan administration still had major problems with some details in a promising bill emerging from the House Ways and Means

Committee, primarily responsible for drafting trade law in the lower chamber.

He warned about provisions limiting the President's wide discretionary powers on when and how to retaliate against unfair trading practices, saying current trade laws were "fundamentally sound."

Mr Yeutter's comments in a speech to the Heritage Foundation are part of the manoeuvring on fashioning a trade bill

this year aimed at reducing the 1986 trade deficit of \$170bn.

The Democrat-controlled House Representatives is making rapid progress on a Trade bill giving President Reagan explicit powers to retaliate against unfair trade practices. A key trade panel on the House Ways and Means Committee has approved measures which would make it easier for US industries to win relief from imports and would

provide more government aid to workers who lose their jobs due to imports.

One important issue remains unresolved: a move by Mr Richard Gephardt, the influential Democrat and Presidential candidate, to single out for retaliation countries such as Japan which have large trade surpluses with the US. The provision does not, however, name these countries.

Cars power further boost in US industrial output

BY LIONEL BARBER

STRONG CAR production powered a 0.5 per cent rise in US industrial production last month, the sixth straight monthly rise, the Federal Reserve reported yesterday.

Further favourable economic news came when the Commerce Department said that manu-

facturers' and trade inventories rose a seasonally adjusted 0.9 per cent in January, the sharpest gain since July 1979, a sign that businesses are replenishing their stocks.

Inflationary pressures also appear to be settling down after the big petrol price rises caused by the OPEC oil price early this year. Wholesale prices increased a bare 0.1 per cent last

month, according to the Labour Department's producer price index.

Petrol prices rose 5.5 per cent in February, compared to a 15.7 per cent rise in January, the biggest rise on record. Food prices fell 0.5 per cent, while prices for cars and light trucks fell 3.4 per cent and 1.3 per cent respectively.

Production of durable con-

sumer goods advanced 2.3 per cent last month largely fuelled by the motor vehicle industry.

The Fed cautioned, however, that vehicle assembly—running at an annual rate of 8.3m in February—is likely to be lower this month.

The Fed said that in most other industrial sectors, only small production gains were registered.

France cuts deficit by FFr 12bn

BY GEORGE GRAHAM IN PARIS

FRANCE CUT its budget deficit last year by FFr 12bn (£1.2bn) to FFr 141.1bn, the Finance Ministry said yesterday, undershooting its 1986 budget target by FFr 4bn.

The reduction cuts France's deficit to 2.87 per cent of Gross Domestic Product, the lowest figure since 1982. In 1985, the deficit represented 3.35 per cent of GDP.

The improvement in the state's finances represents an important boost for the Government of Mr Jacques Chirac, which is committed to cutting taxes by FFr 50bn over two years. The 1987 budget included tax cuts of FFr 27bn.

The Government has also tried to improve the state's balance sheet by repaying some of its accumulated debt charge. This year, it will be helped in this by the unexpected success

of its privatisation campaign, receipts of which are to be used partly to increase the capital of still-nationalised companies and partly to pay off the national debt.

In 1986, however, only FFr 4bn of privatisation receipts were turned over to the reduction of the national debt, somewhat less than expected.

The reduction of the Government debt is seen as particularly important because it eases the access of non-government borrowers to the bond market at a time when a large proportion of French savings are being channelled away from the bond market into the equity market in pursuit of shares in the privatised companies.

Total government spending last year rose by 6.1 per cent to FFr 1,228bn, while receipts rose faster, climbing by 7.3 per cent to FFr 1,078bn.

The deficit target in the original 1986 budget was FFr 145.3bn, but this was cut back to FFr 144bn in July last year by the incoming Chirac Government. It was then cut back further to FFr 143.8bn at the end of the year.

able to private stations. The other two will go to existing public stations.

The two private stations are Sat 1, a cable network owned by a number of newspaper publishers, and RTL Plus, a joint venture between the Luxembourg network RTL and Bertelsmann, the German publishing and music group.

Both groups currently broadcast on a growing cable network begun by the Bundespost in 1982. To meet the extra costs of the enlarged TV system, the licence fee—DM195 a year—will go up by 2 per cent to raise some DM 80m (£27m).

Mr Munoz Lledo claims that these and other policies put forward by the Democratic Current won resounding support at the committee stage of last week's PRI National Congress, despite what he alleged was the leadership's attempt to "hide this behind a curtain of anachronisms and vague threats."

Mr Cardenas meanwhile has chosen to ignore his expulsion, which took the form of a statement by the PRI executive advising the party that he had chosen not to collaborate further "with it."

W German states in private TV pact

BY ANDREW FISHER IN FRANKFURT

WEST GERMANY'S 11 regional states have reached a breakthrough agreement at the 16th time of trying which will give private television stations a proper legal basis for broadcasting over the whole country.

Under the agreement announced in Bonn, private networks will now have access to a direct broadcasting satellite (TVS1) due to be launched in August.

It also means that for the first time, new private and existing public networks can operate under a nationwide regulatory system.

The private stations, which at present use a weaker telecommunications satellite and

have not been able to broadcast freely in all states (Länder), have long pushed for such a deal, so that they can plan their investments properly.

The agreement reached by the Länder heads will be formalised in a new state media contract to be signed on April 3. This will guarantee a uniform development of broadcasting in Germany, which has operated since World War II under a system aimed at preserving democracy and avoiding monopoly.

The agreement provides for two of the channels on TVS1—to be launched by the Bundespost in August after many delays—to be made available to private stations.

Rift in Mexico's ruling party widens

BY DAVID GARDNER IN MEXICO CITY

THE RIFT inside Mexico's Institutional Revolutionary Party (PRI) caused by this week's de facto expulsion of Mr Cuauhtemoc Cardenas, has widened further with publication yesterday of a fresh attack on the leadership by Mr Porfirio Munoz Lledo, a former party president.

Mr Munoz Lledo, a co-leader with Mr Cardenas of the Democratic Current inside the ruling party, linked the PRI crackdown on dissidents to the foreign debt negotiations expected to be concluded in New York next Friday. Mexico is expected to reach agreement with commercial banks on a

\$7.7bn (£5.5bn) new financial facility.

"It has become customary on the eve of financial renegotiations to exhibit an apparent political monolith to our creditors," Mr Munoz Lledo, who is also a former labour and education minister, said.

"Lacking in real argument" to justify paying for "unlimited" indebtedness, the government offers "an authoritarianism as its guarantee of payment," he claimed.

The Democratic Current, which has called for a democratic election, the PRI has also sought to limit Mexico's foreign debt to a percentage of its exports. Peru has unilater-

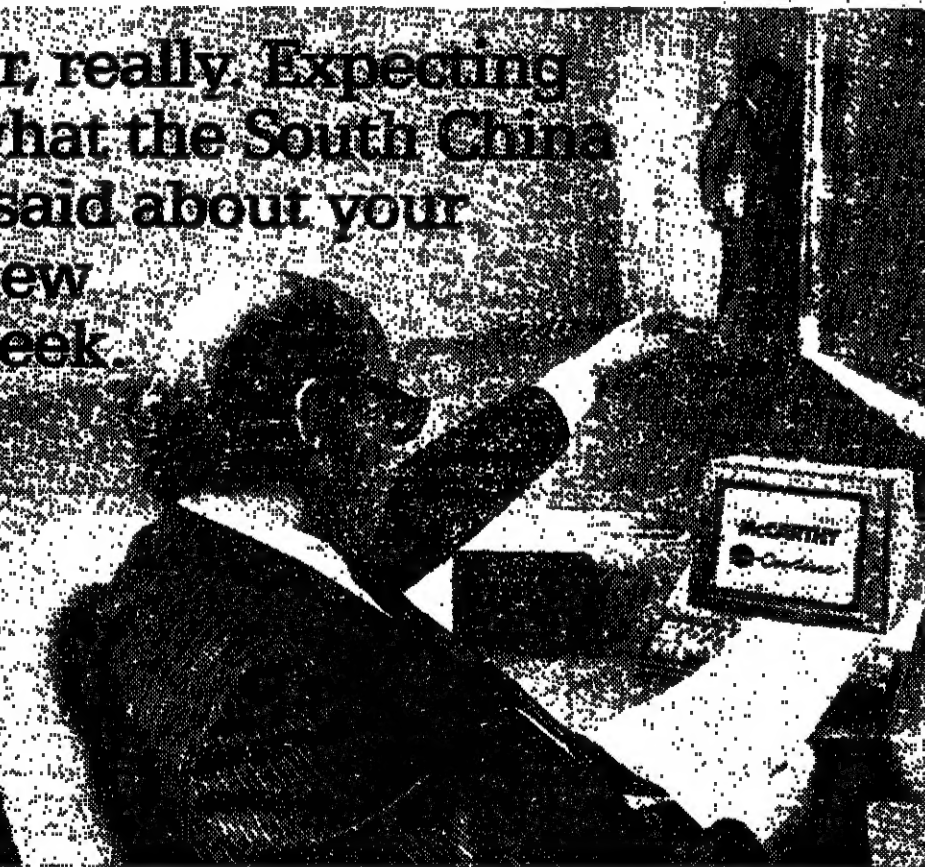
ally set a 10 per cent ceiling on its repayments.

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UK NEWS

Cable TV groups seek live London channel

By Raymond Snoddy

CABLE TELEVISION operators in London are seeking their own microwave frequencies to run a live London channel of local news and magazine programmes.

The cable companies have decided to challenge the British Telecom-Mercury Communications duopoly and apply for their own microwave frequencies to exchange programmes between different franchises.

Croydon Cable, the multi-channel franchise in south London, has applied to the Trade and Industry Department asking for unused video micro-wave frequencies in the 14 gigahertz band to be allocated by the end of this month. Until 1990 only BT and Mercury have the right to such frequencies.

Mr Alan Robinson, managing director of Croydon Cable, asked yesterday why, with newspapers springing up in the capital, there should not be a new local television service.

"We are already producing our own local programmes in Croydon. Other cable systems in the capital could do the same. The present duopoly prevents us exchanging live programming."

This is silly and unnecessary," Mr Robinson said. He said that BT's charges for microwave links were too high for cable operators.

Croydon says it has the support of the main four other cable television franchises in the London area: Westminster, Ealing, Docklands and Windsor.

Mr John Davey, director general of the Cable Authority, the body which regulates the cable industry, said he was taking an active interest in the idea.

The aim would be to set up a London channel which could be shown on all the cable networks in the capital.

Croydon, which has more than 3,000 subscribers, already runs its own local channel called Crystalvision, but would like a joint-run channel carrying news and magazine items from all over London. Microwave links could also be used to exchange programmes for ethnic minorities already being made by cable operators, and for schools programmes.

Meanwhile, the Cable Authority is investigating the possibility of using microwave transmitters to broadcast cable programmes over the air in local areas.

Such a plan would increase the size of the audience for cable television channels. The authority is, however, concerned that what is known as Multi-Microwave Distribution (MMDS) should not supplant the laying of cable networks.

Permission from the Home Office and the DTI would be required before MMDS services could be launched in the UK.

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Chris Sherwell reports on the Australian court's judgment allowing publication of a former MI5 agent's memoirs
Spycatcher's success deals severe legal blow to Government

THE 286-PAGE Australian court judgment in the MI5 spy members case delivered yesterday by Mr Justice Philip Powell is a severe legal defeat for the British Government at the hands of Mr Peter Wright and his publisher, Heinemann Australia.

After 18 months of legal wrangles and five weeks of hearings in the New South Wales Supreme Court, Mr Powell threw out the British Government's suit seeking to suppress Mr Wright's memoirs as a former agent of MI5, the British security and counter-intelligence service.

He also ordered the British Government to pay costs — estimated at about £500,000 — and left the way open for Mr Wright and Heinemann to seek damages because of the delays in publication caused by the case.

As if to entice the Government not to appeal — it has 28 days to decide — Mr Malcolm Turnbull, Mr Wright's youthful lawyer, yesterday repeated an earlier offer to discuss contentious parts of the book. An appeal is all that stands in the way of publication.

Mr Powell's judgment, though written in a complex legal style, deals clearly and decisively with each important point raised by the case, and will go down as an important reference on the controversies which have so often and so embarrassingly engulfed Britain's secret world.

It also documents in full detail the story of the struggle by an elderly and obsessive former spycatcher to have his point of view accepted by officialdom and heard by the public — a point of view which goes to the heart of the debate over Britain's national security.

In his conclusions, Mr Powell's main conclusions rest on four key arguments:

● Mr Wright's relationship with the British Government

imposed an obligation of confidentiality on him relating to information which he produced and received. However, while this was binding even now, it remained so only as long as the information itself remained confidential.

Mr Wright's relationship was not one of contract, Mr Powell says largely for the technical reason that the security service is established under royal prerogative rather than statute.

● The British Government failed to demonstrate that publication of Mr Wright's memoirs would amount to an unauthorised publication of confidential material.

Mr Powell says Mr Wright's information on MI5 operations and the technology it uses is 20 years out of date. Much of it has already been published elsewhere, and is no longer confidential.

The judge also says the disclosure of a great deal of Mr Wright's information was previously authorised or acquired by the British Government.

He points specifically to the publication of earlier books, such as *Their Trade* by Treachery, by Mr Chapman Pincher, and the broadcast of television interviews, one with Mr Wright himself. These, he says, amounted to a surrender of any claim to the information's confidentiality.

● Britain's claim that publication by an "insider" will cause detriment sounds decidedly hollow "in the light of the Government's actual inaction, Mr Powell says.

He says the claim gains little strength, even in relation to unpublished information, as it relates to operations — including those involving breaking and entering, burglary and breaches of international law — which occurred long ago or involved irrelevant technology.

At one point in his judgment, Mr Powell indicates he is less



Main actors: Peter Wright (top left), Sir Robert Armstrong (centre), Malcolm Turnbull (bottom left) and Justice Philip Powell

than impressed by accounts of these operations. He says Mr Wright discusses them in a style "more appropriate to the Boy's Own Paper or Biggles' Flying Omnibus rather than to an arid, scholarly work" analysing the success of covert actions.

● Contrary to British assertions, publication of what Mr Wright learned at MI5 would



Main actors: Peter Wright (top left), Sir Robert Armstrong (centre), Malcolm Turnbull (bottom left) and Justice Philip Powell

not have grave consequences for the workings of the British security services or for liaison with other services, the judge says.

At least one former director-general, Sir Dick White, has disclosed confidential information with impunity, Mr Powell says. Far from being leakproof, he goes on, "the service has, for years, leaked like a sieve."

Mr Powell, who during the public hearings of the case established a reputation for making pointed remarks from the bench, was no less sharp in his judgment yesterday.

As before, the main target was the British Government, and the key issue was the publication in 1981 of Mr Pincher's book. His was the first to reveal that Sir Roger Hollis, head of

MI5 from 1956 to 1965, had been investigated as a possible Soviet double agent.

Its publication prompted a detailed statement to the House of Commons by Mrs Margaret Thatcher, the Prime Minister. In it she spoke of the Hollis case and that of Mr Anthony Blunt, the former MI5 officer whose unmasking as a Soviet agent was revealed in 1979.

Mr Wright, as MI5's chief molehunter, conducted the investigations into both the Hollis and the Blunt cases, and alleges that Mrs Thatcher's statement was materially false in a number of respects.

He repeats these allegations in his book as part of a wider claim that the British security services have been penetrated by the Soviet Union.

In his judgment, Mr Powell offers no conclusive view regarding these allegations because, for the purposes of the case before him, the British Government admitted they were true.

But he does say that Mr Wright's claims, along with others concerning alleged illegal activities by the Secret Service, support the case for publication of his memoirs.

Regarding publication of the Pincher book, Mr Powell says the fact that neither the author nor his suspected sources were approached or questioned prior to publication was "an omission which... I can but describe as incredible."

The British Government's failure to take any steps to obtain an injunction to prevent publication "is even more incredible," Mr Powell says he cannot accept the explanation offered and that evidence on the matter has been left "in a thoroughly unsatisfactory state."

The judge is more circumspect but still critical of Mr Turnbull's accusation that Sir Robert Armstrong, the Cabinet Secretary and chief witness for the UK Government,

deliberately set out to mislead the court.

Mr Powell says of Sir Robert: "Much of his evidence on matters of importance must be treated with considerable reserve."

The Cabinet Secretary, he adds bluntly, "has no personal knowledge or expertise in matters of security and intelligence, and, in particular, as to operational matters in those areas... any information he might give, or opinions which he might offer, is, or are, derived from others."

Driving his point home, Mr Powell says Sir Robert's lack of expertise "casts more than a shadow of doubt" over his assertions regarding national security. This shadow was deepened, he asserts, by the Government's inconsistent observance, "if not its total failure to observe," its own policy on security matters.

At the end of the day, the judge does not accept Mr Turnbull's conspiracy theory that the failure to stop Mr Pincher's book was part of a plan to get information "into" the open through the pen of a safely conservative journalist.

As he puts it: "The fact that a witness is disbelieved does not prove the opposite of what he asserted." In any event, there were other reasons for not supporting the theory.

Yet, he says in a crucial passage, the point "must be stressed: Mrs Thatcher—having been warned about *Their Trade* by Treachery, and its contents, told of Mr Pincher's claims and his likely sources, advised of the potential damage to the security service, and been of the opinion that the book should not be published for good reason or ill, either deliberately decided not to commence, or in any event refrained from commencing, proceedings against Mr Pincher to restrain publication" of information which the Government would claim as secret.

Currie concerned at passive smoking risk

BY IVOR OWEN

BETWEEN 200 and 300 non-smokers may be contracting lung cancer each year through breathing in other people's cigarette smoke, Mrs Edwina Currie, Under-Secretary for Health, told the Commons yesterday.

She described this as "a matter for some concern" and said the Government would consider what action might be required after studying reactions to an interim report by the Independent Scientific Committee on Smoking and Health.

"This recorded the committee's view that the four main studies investigating passive smoking in relation to lung cancer had not "unequivocally demonstrated" a causal association.

It also stated: "The findings overall are consistent with there being a small increase in the risk of lung cancer from exposure to environmental tobacco smoke, possibly between 10 per cent and 30 per cent."

Mrs Currie was more cautious than Mr Norman Fowler, her political chief, in responding to demands for tougher government action to restrict

the advertising and promotional activities of tobacco companies.

On Tuesday Mr Fowler stressed that both Conservative and Labour Governments had opted for voluntary rather than statutory limits on advertising, insisting they were the most effective way to deal with the problem.

Mrs Currie emphasised that British people were giving up smoking at a rate of 3 per cent a year — more than any other country in Europe.

Mr Frank Dobson, Labour's Shadow Health Minister, pressed the Government to do something "nasty" about the advertising and promotion of cigarettes.

He reaffirmed that Labour's policy was to prohibit by statute all forms of advertising and promotion to tobacco products.

Mr Simon Hughes, Liberal member for Southwark and Bermondsey, complained that the Government was trying to serve two masters — highlighting the health hazards associated with tobacco while also making use of the revenue it produced. Ministers needed to agree on a new direction he said.

Government 'will not act over 65% rate rise'

BY IVOR OWEN

RATEPAYERS in the London borough of Ealing, who face a 65 per cent increase in their rate bills next month, cannot look to the Government for protection, Dr Rhodod Boyson, Local Government Minister, confirmed in the Commons yesterday.

He said ratepayers would have to wait until July to know whether the high-spending policies of the Labour con-

trolled council would result in Mr Nicholas Ridley, the Environment Secretary, deciding to include it among the local authorities to be "rate capped" in 1988-89.

Dr Boyson joined two of the borough's Conservative MPs, Sir George Young and Mr Harry Greenway, in condemning the financial policies of Ealing "hard left" Labour leaders.

Letter volume record set

By David Thomas

THE NUMBER of letters posted in Britain last year increased by 6.8 per cent to 12.05bn, the largest number ever handled by the Post Office.

The continuing strong growth in letter volumes suggests that fears that the traditional letter was being undermined by developments such as electronic mail were exaggerated.

About three-quarters of the 760m extra inland letters handled last year, was extra financial and other business mail, while 23 per cent was direct mail and the rest was social.

The Post Office dealt with particularly strong growth in the autumn, when letter volumes were up about 10 per cent on the year before, and over Christmas, when 1.4bn items were posted, up 100m on 1985.

The corporation said yesterday that the rate of increase this year was running at about 6.8 per cent, the average level for 1986.

Last year the Post Office handled 46m letters a day on average.

Builder tells of work shortage

OVERALL improvements in building industry trading conditions must not be allowed to mask shortages of building work in parts of the north-east of England, Mr John Parsons, senior deputy president of the Building Employers' Confederation, said in Newcastle yesterday.

Addressing the annual meeting of the confederation's northern counties region, Mr Parsons said conditions in parts of the north-east remained very tough. He said the confederation would continue to impress the fact on the Government.

Researchers lose sight of SDI windfall

Peter Marsh on why British contracts are proving elusive



Michael Heseltine (left) and James Abrahamson: forecast of work.

to win higher-value hardware contracts for devices such as sensors or interceptors that could be incorporated into Star Wars experiments.

The \$18.2m handed to UK companies is out of a total \$34m worth of contracts awarded to British organisations.

Of the total, \$6.5m has still not been allocated and will go both to industry and Defence Ministry research establishments such as the Royal Signals and Radar Establishment in Worcestershire.

The rest of the contracts account for work already taking place in the Defence Ministry research centres, in universities and at the UK Atomic Energy Authority's Culham Laboratory near Oxford.

Mr Chris Dain, deputy managing director of the space and defence systems division of Logica, one of Britain's leading software companies, said the volume of Star Wars contracts was "disappointing."

One problem, he said, was that the type of Star Wars contracts under discussion was much more specialised than UK contractors had expected.

Other people are more optimistic. Mr Bill Bardo, technical director of the Marconi group, part of the General Electric Company, said the programme was "still in the early phase" and that more involvement by the UK was likely.

According to Mr Bardo, Marconi is conducting Star Wars studies worth about \$7m, which accounts for more than a third of the total SDI contracts to UK companies. He hopes for "considerably more" in a year's time.

Mr Earle Williams, president of Virginia-based BDM International, a leading US defence contractor which is heavily involved in Star Wars, said many UK companies had experienced difficulties in "picking up speed" in a programme in which US interests were already deeply established.

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According to Mr Bardo, Marconi is conducting Star Wars studies worth about \$7m, which accounts for more than a third of the total SDI contracts to UK companies. He hopes for "considerably more" in a year's time.

Mr Earle Williams, president of Virginia-based BDM International, a leading US defence contractor which is heavily involved in Star Wars, said many UK companies had experienced difficulties in "picking up speed" in a programme in which US interests were already deeply established.

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Due to these unforeseen circumstances and the economic unfeasibility, the project has been irrevocably cancelled and whilst the rugs were being held in custody in Her Majesty's Bonded Warehouses, Heathrow Airport, and others, they now have been removed and must be disposed of immediately by Auction.

Due to the vast number of pieces and value involved, the auctions have been divided into twelve separate collections thus affording everyone an equal opportunity to acquire one or more of these masterpieces. The Auction Sale will be held on

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UK NEWS

Victims of water plant disaster win compensation

BY ANDREW TAYLOR

SURVIVORS and relatives of victims of the Abbeystead water plant disaster in Lancashire, which killed 16 and injured 28 in a methane gas explosion in May 1984, yesterday won their three-year battle for compensation.

Mr Justice Rose ruled at Lancaster High Court that Binnie & Partners, the plant designer; and the North West Water Authority, its operator, had all been negligent.

Claims for damages from the 31 survivors and relatives total between £1.5m and £2m. Mr Justice Rose said claims would be assessed during the next two or three months. Individual awards were expected to be decided at a hearing in November.

Costs of £100,000 were awarded against the three defendants. Binnie and Partners, an international civil engineering consultancy, was found to be 35 per cent to blame for the disaster. It said last night it would carefully consider the judgment before deciding whether to appeal.

Mr Justice Rose said the

North-West Water Authority, which operates the Abbeystead plant, was 30 per cent to blame. Builder Edmund Nuttall, a private civil engineering company with annual turnover of about £100m, was 15 per cent responsible for the explosion.

The disaster, which occurred during a tour of the plant by villagers from nearby St Michael's on Wyre, followed a build up of methane gas in the valve house which ignited and blew the roof off the building.

Mr Justice Rose said the designers should have been aware that methane was soluble in water and could travel long distances through the ground. The designers had "failed to exercise reasonable care in assessing the risks of encountering methane."

The builders had been negligent in failing to provide a proper system for testing methane, although their role was very much a subsidiary one, said the judge.

The water authority had been negligent over the operation of plant and should have considered the safety implications — although they were entitled

to rely on the designers and had not been warned of the methane danger.

"In my judgment any of the defendants ought to have foreseen the accumulation of methane in a quantity dangerous to life or health. By 1984 they ought to have been aware of the danger of the tunnel atmosphere in general and methane in the ground water in particular."

It was incredible that no tests were made during the first two-thirds of tunnelling work, the judge said. The designers had left testing up to the builders, who had used two "inexperienced, untrained and unsupervised" staff to carry out the work.

Mr Tim Eekersley, whose 11-year-old son Mark died in the disaster, said: "It is a great decision. We have waited a long time for it, but justice has been done."

Mr George Tyson, a parish councillor who suffered 58 per cent burns and lost his wife Edith in the blast, said: "I think today's decision will please all the families. I think the blame was right."

More staff for Social Security offices

By Philip Bassett, Labour Editor

Staffing in Social Security offices would be increased by more than 4,000, the Government announced yesterday, following a review of the workload which has arisen mainly from extra benefit claims caused by higher unemployment levels.

Mr Norman Fowler, Social Services Secretary, said that as a result of the review, the staffing ceiling in the Health and Social Security Department would be increased by 4,050 by April 1 next year, to 102,900.

In a parliamentary written reply he said most of the increase would be assigned to the department's local offices. The increase will take into account savings on planned spending in the year, from efficiency measures. It is in addition to staffing increases of 5,000 announced last March.

The Government has reduced staffing levels in the Civil Service generally, though numbers in the DHSS, Employment Department and Inland Revenue have been allowed to rise, to deal with unemployment and to increase tax revenue.

Mr Fowler, paying tribute to local DHSS staff, especially in hard-pressed inner-city areas, said talks on efficiency measures would now begin with unions.

However, the Society of Civil and Public Servants said the increase was a sleight of hand. It said that of the 4,000, 1,000 were already in place, another 1,000 would not go to local offices and 1,000 of the rest were allocated because of a previously-expected workload increase. This left only 1,000 new staff or 2 per cent for each office, to counter present shortages.

Ms Tess Gill, secretary of the union's DHSS group welcomed any increase in staff but said it would have a minimum impact.

She said the real level of new staff claimed by the union would "do little to improve the state of chaos which exists in many local offices, the high error rates and poor service which are mainly caused by severe staff shortages."

The union has made a detailed claim for 13,000 extra staff for the department, to cope with demand.

Accountant on share document forgery charge

By Raymond Hughes, Law Courts Correspondent

MR PHILIP LYONS, a chartered accountant, of Chesnut Avenue, Edgware, made a brief appearance at Guildhall magistrates court yesterday on a charge under the 1981 Forgery and Counterfeiting Act involving share certificates of a company named Gechem SA. He was remanded in custody until March 19.

The charge alleged that on February 27 1987 he had in his custody or under his control "23 Gechem SA share certificates which you knew or believed to be false, with the intention that you or some other person should use these share certificates to induce somebody to accept them as genuine and by reason of so accepting them, to do or not to do some act to his own or any other person's prejudice," contrary to sections 5(1) and 6, Forgery and Counterfeiting Act 1981.

Mr Lyons, a member of the Institute of Chartered Accountants in England and Wales, runs a firm called Lyons & Co. from his Edgware address.

Investment plan for Yorkshire

By Ian Hamilton Fazy, Northern Correspondent

NORTH YORKSHIRE County Council announced yesterday that it was planning to set up a £2.7m investment fund as a joint company with the West Yorkshire Enterprise Board and York Trust, the local merchants' banker.

The fund will specialise in venture capital deals for expanding businesses in the county and will be able to draw on funds made available to the enterprise board by Yorkshire Bank.

The joint company will be the third set up by the board, now functioning as an independent investment company following the abolition of West Yorkshire County Council, which founded it. The others are with Bradford and Calderdale councils. Similar joint companies are also being negotiated with other local authorities in Yorkshire and Humberside. Yorkshire Bank is making a total of £20m available for them to borrow. The debts to the bank will be serviced by returns on investments and eventually repaid from capital gains as investees prosper.

Peter Riddell looks at the implications of the Truro by-election
Southern comfort for the Alliance

THERE IS no stopping the Alliance bandwagon. The success of Mr Matthew Taylor at Truro in increasing his party's already high share of the vote to more than 60 per cent is a clear triumph, given the criticism of his candidacy and inexperience as a 24-year-old.

For the Conservatives, the decline in the share of their vote is obviously a disappointment. But while it may give pause for thought in Conservative Central Office, it is unlikely to dent the Tories' confidence about their election prospects.

For what it is worth, the 6.5 percentage drop in the Tories' share of the vote to 32 per cent is by far the smallest in any by-election since late 1984, but it contrasts with the party's optimism just before polling day.

For Labour, any improvement in its standing is welcome after the party's recent turmoil and clearly reflects the efforts of its widely-praised candidate, Mr John Kings. But Labour was always going to be only a marginal influence in Truro, with only just over 7 per cent of the vote.

The key question is whether the result will affect the timing of the general election. The answer is probably not much. There were special factors in Truro: a sympathy vote for Mr Taylor, following the death of Mr David Penhaglion, the popular former MP, in a car crash before Christmas, and dissatisfaction among local farmers and over the plight of the Cornish tin industry.

So, while there may be a few warning signals for the Tories in the south-west, the figures cannot be extrapolated to the rest of the country.

If anything, the outcome will reinforce Mrs Thatcher's instinctive caution about calling an election. Yesterday, she was at pains to stress that the Truro result would not affect the date of the general election.

At one level, everything has gone well for the Tories, following Labour's defeat at Greenwich a fortnight ago and the party's continuing well-publicised internal rows.

Before Greenwich, the Tories



Winning smile: Matthew Taylor celebrates his victory.

BY-ELECTIONS 1983-1987

Changes in parties' share of the vote

	Cons %	Lab %	Alliance %
Chesham	-17.3	-	+15.3
Don Valley	-22.2	-	+16.3
Surry SW	-10.4	-	+11.3
Stafford	-10.3	+3.7	+7.1
Cynon Valley	-4.8	+2.8	-0.7
Portsmouth S	-15.7	+2.9	+12.2
Enfield Southgate	-8.5	+6.0	+12.2
Brecon and Radnor	-20.5	+3.3	+11.3
Truro	-14.1	+3.3	+11.4
Truro	-11.3	+10.4	+6.4
Ryedale	-17.9	-1.9	+19.8
Derbyshire W.	-16.3	+2.7	+12.4
Newcastle-Lyme	-17.3	-1.2	+19.8
Knowsley N.	-13.8	-8.2	+19.8
Greenwich	-23.6	-4.5	+27.9
Truro	-4.5	+2.5	+3.1

were standing at around 38 per cent to 39 per cent in the opinion polls. Labour at 36 per cent and the Alliance at 23 per cent — already on a clearly rising trend. In polls taken since

Greenwich, Tory support has remained broadly stable at about 38 per cent, Labour has slipped to 33 per cent and the Alliance has advanced to more than 28 per cent.

The Conservative lead over Labour is the largest since late

Prescott hints at pay curbs

By Philip Bassett

ATTEMPTS by the trade unions, under a future Labour government to increase their pay in order to maintain differentials would be "irresponsible and unacceptable," Mr John Prescott, Labour's employment spokesman, said last night.

Mr Prescott's remarks hinted at pay restraint and explicitly endorsed greater work flexibility and the failure of recent industrial action. They are significant given his position within the party as a left-winger.

Speaking to trade unionists in Scotland, Mr Prescott said that they would have to accept that reducing unemployment would be a high priority for a Labour government.

He said: "In that climate, any response by higher-paid workers which simply tried to hike up their pay to maintain differentials would be irresponsible and unacceptable."

Labour and the union could also no longer rely on the traditional approach to rights at work, he said. "Let us face it: industrial muscle, and collective strength have done little to protect existing rights, let alone extend them."

Labour needed to underpin trade union organisation with rights at work so that the law and collective bargaining could work together.

Mr Prescott criticised the growth of part-time at the expense of full-time employment. He noted that McDonald's, the fast-food chain, was now overtaking Britain's largest manufacturers as an employer of labour. But, he indicated the need to change to labour market changes.

"We have to look at more flexible forms of employment, including part-time work, work-sharing, retraining and more flexible retirement."

Mr Prescott said that Labour's new policy document on training, New Skills for Britain, would be launched next week.

Storm over a tea cup leaves Labour stalwart in deep water

Michael Cassell profiles the fiery opposition spokesman on employment



John Prescott: tussle over the tea-cakes

IF THE events of the last week have found the Labour Party sailing into squally weather, there can be little doubt that they have also left Mr John Prescott, the party's first seaman-sponsored MP, in uncomfortably deep water.

It is Mr Prescott — Labour's bright, rumbustious and blunt employment spokesman — whose two well-publicised "tea room tiffs" in the Commons managed to ensure that Labour's internal divisions on defence were kept at the forefront at Westminster.

In a week when Labour's jobs initiative was supposed to steal the headlines, they were devoted instead to rather more colourful references to tussles and tea-cakes, punch-ups and pastries.

As a leading architect of the "one million jobs in two years" programme, Mr Prescott duly joined other party leaders at Wednesday's job programme launch. But he must have been regretting the latest demonstration of what his Westminster colleagues regard as a particularly short fuse.

The previous night the MP for Kingston upon Hull had been involved in a damaging row with Mr James Callaghan over defence policy, allegedly accusing the former Prime Minister of wrecking Labour's election chances by supporting the temporary retention of Trident.

Together with his failure to keep overall responsibility for assembling the job creation package, Mr Prescott's place on the far end of the platform looked suitably precarious. It was during the seamen's strike of 1986 that he wrote a pamphlet called *Not Wanted on Voyage*, and some of his colleagues may have been forgiven for thinking its title was in danger of reflecting latest opinions about the author.

Mr Prescott joined the party when he was 18 and has been in the Commons since 1970. A former passenger liner steward and trainee hotel chef, he has become an unquestionable member of Labour's frontbench team, having previously been the party's spokesman on transport and regional affairs.

But even his supporters claim the combative approach adopted by a pugacious Hull University graduate who is proudly working class can often lack the discipline which is every bit as important as political passion.

Mr Neil Kinnock, the Labour leader, wasted no time in banging heads together after the tea-room fracas, which was overheard by Tory MPs who delighted in the unexpected cabaret.

The references to the need for self-discipline were clearly aimed at the man he likes to dub "Johnny" and for whom he has long had considerable respect. Mr Prescott co-nominated Mr Kinnock for the party leadership in 1982, having backed Mr Tony Benn in 1976, and in 1984 was moved

from transport to employment. However, it was typical of the man that, even after Mr Kinnock's "steam words," he could not resist the temptation on Thursday to confront a Tory MP and accuse him of spreading lies about the earlier argument with Mr Callaghan.

Any thought that a second altercation would also end up being broadcast were overcome by anger.

Mr Prescott's Commons performances in what is a key post have been mixed. His appearances at the despatch box to confront Mr Kenneth Clarke, the Paymaster-General, have sometimes tended to veer towards "over-the-top" outbursts rather than structured counter-attack.

He has been accused of thinking up policies on his feet, such as during the Knowles North by-election campaign when he put forward proposals for a training levy on all employers. His remarks drew an immediate disclaimer from Mr Roy Hattersley, the shadow Chancellor, who said the plan was not party policy.

Mr Prescott's biggest recent disappointment, however, must have been the decision to give Mr Bryan Gould, the party's Treasury spokesman, responsibility for pulling together the employment package. Much of the backroom work was enthusiastically and effectively carried out under Labour's employment spokesman, who believes local authorities must play a central role in the provision of new employment opportunities.

The leadership, however, decided that too much emphasis was being placed on the contribution from local councils.

Mr Prescott is reported to have been less than happy about the shift in emphasis, but he appreciates the need for a united approach to an issue which will lie at the heart of Labour's election campaign and its efforts to win.

It was his same passionate commitment to a Labour victory that would not allow him to repeat the opportunity of re-nominating former Prime Minister who was queuing for a cup of tea.

1984 and would clearly make the Tories the largest single party after an election. But it is not as simple as that, as the Alliance advance to above its share of the vote in the 1983 general election takes it to a position where the Liberals and the SDP could start winning quite a few Tory seats in the south.

A key uncertainty is whether the gap between the Alliance and Labour will narrow further. Some Alliance leaders privately hope that they may overtake Labour in the polls, which would alter all the election calculations. This has not happened so far, but is what the Tories in the south fear most.

Overall, the clearest message of the recent polls and by-elections has been that Labour is a long way away — and is moving further away — from winning power. Internal morale is low and many Labour MPs are resigned to a further election defeat, with only an outside chance of denying the Tories an overall Commons majority. There is then the post-election question of whether Labour will start talking to the Alliance.

However, because of the Alliance advance, the picture remains cloudy for the Tories. Mrs Thatcher privately, and Mr Norman Tebbit, the Conservative Party chairman, in an interview with the Financial Times eight days ago, have already indicated that May 7 has been ruled out as a general-election day — but they have pointedly not yet ruled out late June.

Much will depend on the trend in the polls over the next six weeks — after next Tuesday's Budget, Mrs Thatcher's visit to Moscow, and particularly the May 7 local elections. Hence, late September or early October remain the favourite dates.

The Alliance has, however, a further little twist in store for the Tories over Truro. Mr Taylor will take his Commons seat next Tuesday afternoon in front of a packed House, when his proceedings are being broadcast live, immediately before Mr Nigel Lawson delivers his Budget speech.

Governor warns on bank loans

By David Lascelles, Banking Editor

THE GROWING competition in the personal finance area could bring down the relative cost of consumer borrowing, Mr Robin Leigh-Pemberton, the governor of the Bank of England, predicted last night.

This would, however, also create new risks for banks, and he said he welcomed moves by the bankers to improve the flow of information about personal indebtedness.

At a dinner celebrating the grant of a royal charter to the Institute of Bankers, Mr Leigh-Pemberton said that lenders in the personal finance market "must be careful not to assume that it will remain as safe and profitable as it has in the past."

He said new players, principally retailers who offer their customers credit, would undercut prevailing interest rate margins and build up market share.

He went on: "There is therefore a real possibility over the next few years that the margins in this area will fall."

The Governor supported the banks' new interest in contributing information about individuals' debt to some form of central credit reference agency. There were difficult problems to overcome — such as confidentiality. "But they do need to be addressed," he said, "for some borrowers are taking on what are by any standards considerable personal burdens."

Bristol project will create 2,000 jobs

ABOUT 2,000 jobs for engineers and skilled craftsmen will be created in north Bristol, in a new mini-town called Bradley Stoke, on which work started yesterday.

The town, covering 1,000 acres of land situated next to the M4/M5 interchange, is being developed over the next six to nine years. It will comprise 8,000 homes, six primary schools, a secondary school, a social services centre and a 50,000 sq ft shopping centre.

Developers include Bearer Homes, Ideal Homes, Tarmac Homes, McClean Homes, Bryant Homes, Prowling, John Mowlem Homes, Costain Homes, Second City Homes, Westbury Homes and Taylor Woodrow Homes.

Legal Notice

No. 00190 of 1987
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
AND IN THE MATTER OF
LONDON & OVERSEAS LAND PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN THAT a Petition was on the 3rd March 1987 presented to Her Majesty's High Court of Justice for (1) the sanctioning of a Scheme of Arrangement and (2) the confirmation of the reduction of capital of the above-named Company, from £2,000,000 to £1,698,657.80 by the cancellation of 2,716,811 Ordinary Shares of 20p each in consideration of the issue of Loan Notes of an aggregate nominal amount of £2,825,483 in accordance with the terms of the said Scheme of Arrangement.

AND NOTICE IS FURTHER GIVEN THAT the said Petition is directed to be heard before the Honorable Mr Justice Vinelott at the Royal Courts of Justice, Strand, London WC2A 2LL, on Monday the 23rd March 1987, at 11.00 o'clock in the forenoon.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital, or to object to the scheme of arrangement, should make application to the court on the day of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requesting the same by the undersigned Solicitors on payment of the regulated charge for the same.

Dated this 14th day of March 1987.

TRAVERS SMITH BRAITHWAITE

6 Snow Hill,

London EC4A 3AL.

Solicitors for the above-named Company.

Art Galleries

THACKERAY GALLERY, 18, Theobalds Road, London WC1X 8PL. Tel: 01-583 5581. JOHN BRATBY, R.A. - Venice Regatta. Until 27 March. CRANE GALLERY, 55, Regent Street, London W1B 5SD. Tel: 01-583 5581. PINE, British and European paintings and sculpture. Mon-Fri 10-6, Sat 10-4.

Maxwell 'truce offer' in newspaper war

BY RAYMOND SNODDY

MR ROBERT MAXWELL, publisher of the London Daily News, claimed yesterday that he had offered a truce in the London newspapers war to Lord Rothmere, publisher of the London Evening Standard and the London Evening News, but that this had been rejected.

Mr Maxwell said he had written to Lord Rothmere accepting that the Standard publisher did not condone intimidation or harassment as a way of preventing distribution of the London Daily News. He called for an end to the war, and by implication suggested that the circulation figures of the Standard and the Evening News should be closed.

Mr Maxwell, who is also the publisher of Mirror Group Newspapers, said Lord Rothmere treated the suggestion as "inviting me to join in what appears to be an illegal combine, both to reduce choice and to fix price."

Mr Maxwell also said yesterday that he had given an undertaking not to repeat allegations that the Standard had lied about circulation figures without first giving 48 hours' notice, the aim of which was to avoid legal costs. "Lord Rothmere chose to reject this offer," Mr Maxwell said yesterday.

The Standard yesterday went instead to the High Court and

won an injunction against Mr Maxwell preventing him from accusing the Standard of lying about its circulation figures.

The injunction, granted by Mr Justice Gagehouse, is effective until the hearing of a libel action brought by Associated Newspapers, publishers of the Standard, against Mr Maxwell over an article in the London Daily News.

It prevents Mr Maxwell and the London Daily News from "publishing, or causing to be published, any statements suggesting that the plaintiff has lied about the circulation figures of the Standard and has thereby attempted to mislead the newspaper's readers or advertisers."

Between February 24 and March 6 the sales of the Standard were audited by Deloitte Haskin & Sells, the accountant firm. The Standard says on each day the circulation was more than 550,000.

Associated Newspapers said yesterday that from Monday it will extend the distribution of the single-edition London Evening News, which sells for 5p to virtually the whole of London. The paper is currently available only in the West End and City areas. The print run would also be increased from its current 100,000.

Lucas to shut wiper plant after losing work to Delco

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LUCAS ELECTRICAL is to close its windscreen wiper plant at the Great King Street, Birmingham, factory following a decision to switch its business to a subsidiary of General Motors of the US.

The closure will result in 275 job losses.

Lucas told employees yesterday it was unable to compete in price with Delco, the GM subsidiary based at Dunstable, which produces 51,000 wipers and motors a day, compared with 2,800 at Great King Street. It also pointed out that Bosch, of West Germany, made 172,000 a day.

Austin Rover accounted for 40 per cent of the current volume and without that business it was impossible to continue, Lucas said.

TASS, the manufacturing union, accused Lucas of "squandering resources" and driving

its major customer, Austin Rover, to Delco by failing to invest.

Of the 310 employees in the wiper/motor operations, only 35 will be kept on for re-training business. Lucas is also negotiating with Delco to keep another 45 jobs in the Birmingham area, but stressed this would be Delco's decision.

Lucas also announced yesterday it would move its ignition operation from Great King Street to a new building on the Halford estate, Perry Barr, Birmingham, next year.

The operations would need 450 people, compared with the 360 currently employed at Great King Street.

Last year, when Lucas revealed that Great King Street would close in 1989, it said it hoped to preserve about 800 of the 2,000 jobs which would be affected. The latest moves mean that only 650 jobs will be saved.

GRANVILLE SPONSORED SECURITIES

					Gross Yield	
High	Low	Company	Price	Change	Div.(p)	%
161	118	Aas. Brit. Ind. Ordinary	183	-	7.3	4.8
163	121	Aas. Brit. Ind. CULS	183	-	10.0	6.1
40	26	Armstrong and Rhoads	35	-	4.2	12.0
40	64	BBS Design Group (USM)	75	-	1.4	1.9
221	168	Bardonia Hill Group	221	-	4.8	2.1
106	55	Bry Technologies	106	+1	4.3	4.1
138	75	CCL Group Ordinary	132	-	2.9	2.2
107	86	CCL Group 11pc Conv. Pt.	98	-	16.7	15.9
271	116	Carborundum Ordinary	266	-	9.1	3.4
94	90	Carborundum 7.5pc Pt.	94	+1	10.7	11.4
125	75	George Blair	89	-	3.8	4.3
115	57	Ind. Precision Castings	115	-	6.7	5.3
178	121	Int. Group	121	-	18.3	5.0
124	101	Jackson Group	121	-	17.0	4.6
377	289	James Burroughs	366	-	17.0	4.6
100	89	James Burroughs 9pc Pt.	89	-	12.9	14.5
1035	342	Malhouse Univ (AmstrdE)	750	+20	-	-
380	260	Record Ridway Ordinary	268	-	-	-
100	83	Record Ridway 10pc Pt.	83	-	14.1	17.0
91	67	Robert Jenkins	88	-1	-	-
65	30	Scruttons	66	+1	-	-
150	67	Torday and Carlisle	180	-	8.7	3.8
240	321	Trevian Holdings (SE)	324	-	7.9	2.4
90	42	Unilook Holdings	90	-	2.5	3.1
129	65	Walter Alexander	127	-	5.0	3.9
200	180	W. S. Yates	193	-	17.4	9.0
89	67	West Yorks. Ind. Hous. (USM)	98	-6	6.6	6.7

FINANCIAL TIMES

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Saturday March 14 1987

Mr Lawson as pragmatist

FEW CHANCELLORS in living memory have approached a Budget with quite such a strong set of cards as Mr Nigel Lawson possesses this weekend. The Inland Revenue is awash with tax receipts, the pound has been rising sharply and the Bank of England has been fighting market pressure to cut interest rates. The British economy is growing faster than most others in the developed world, inflation remains under control and unemployment has begun to fall.

Mr Lawson's unprecedented scope for manoeuvre is partly due to good fortune. The strength of tax receipts—especially those from the non-oil corporate sector—has come as a genuine surprise. Treasury revenue projections made this time last year are turning out to be some of the less accurate on record.

It would be quite churlish, however, not to concede that the Chancellor's bright Budget prospects are also the reward for some quite skilful economic management over the past four years. With hindsight, Mr Lawson's strength has been his pragmatism: in almost every area of macroeconomic policy he has doggedly pursued a middle path. Critics on the Left have accused him of failing to generate a "real" recovery, while those on the Right have worried about a credit explosion.

The pragmatism is evident in the details of policies. Strict monetarism has been abandoned in favour of a highly discretionary — one might almost say Keynesian — approach to monetary management. On fiscal policy, the Chancellor has eschewed both Germanic austerity and Reaganite profligacy, and by refusing to account properly for privatisation has created an illusion of tightness while allowing the economy to benefit from a sizeable stimulus. Mr Lawson has also recognised industry's need for a competitive pound and engineered one of the largest devaluations in recent history.

Desirable surpluses

As a result of a series of quite fine judgments, therefore, the Chancellor is now able to allocate a fiscal adjustment of around £5bn between lower borrowing on the one hand and lower taxes or higher spending on the other. The latter is the more desirable, since normal demand is already growing quite strongly, most of the money should be used to bring down next year's public sector borrowing requirement from a planned £7bn to something close to this year's expected outturn, which is £4bn or less.

Given the economy's strength, runs the argument, there can

be no justification (bar the purchase of votes) for planning to borrow more next year than this—from an economic point of view the existing £7bn target is quite irrelevant. Indeed, some iconoclasts might ask why the Government still needs to borrow at all: even old-fashioned Keynesians accept that public sector surpluses can be desirable at the peaks of economic cycles (they increase the scope for borrowing to support activity in the troughs).

Those favouring sharply lower planned borrowing can also reasonably argue that the Chancellor's policies to date have tended to favour consumption at the expense of investment. Historically high real interest rates may partly explain the low rate of growth of fixed capital formation in recent years. One way to correct this bias would be to announce an unexpectedly low PSBR which would pave the way towards sharply lower interest rates.

Unemployment blackspot

On the other hand, the Bank of England would have no difficulty in funding a much larger PSBR, while interest rates are determined as much by the political outlook and general confidence factors as by the Government's precise borrowing needs. The real cause for concern is not that Mr Lawson is likely to attach low importance to reductions in public borrowing, but that the fiscal adjustment will be dissipated in across-the-board tax cuts when the economy is crying out for selective and carefully aimed assistance.

The great blackspot in the Government's economic record is its failure to get to grips with very high unemployment. This failure has accentuated large regional disparities in income and opportunity. A Budget motivated by economic and social justice, rather than by crude voter appeal, would attack the problem of long-term unemployment with the vigour previously reserved for the fight against inflation.

Giving away large sums in unfocused tax cuts to those who have already experienced big increases in disposable income is not a riskless strategy even in an election year. Too many people are too aware of the needs of the long-term jobless and other disadvantaged groups. Nor is it necessary on efficiency grounds: tax reform overseas has demonstrated that marginal rates can be sharply reduced without losing much revenue if special concessions are simultaneously abolished. Unless Mr Lawson unveils a few imaginative microeconomic reforms, the danger is that his Budget will be perceived as doing little to promote either equity or efficiency.

Philip Stephens looks back over eight years of Conservative Budget-making

Source: Treasury

	<u>1979-79</u>	<u>1986-87</u>
Basic Income Tax	33%	29%
Top Rate Income Tax	63%	60%
Value Added Tax	8%	15%
All Taxes as % of GDP	33.8%	37.5%

<u>TAX BURDEN ON SINGLE PERSONS</u>	<u>Income tax and National Insurance as % of earnings</u>	
At half average earnings	23.5%	25.8%
At average earnings	31.5%	31.9%
At 5 times average earnings	52.2%	45.6%
At 10 times average earnings	67.5%	52.8%

<u>EXCISE DUTIES</u>	<u>1979</u>	<u>1986</u>	<u>Change in real terms</u>
A pint of beer	7.7p	18.6p	+25%
A bottle of wine	80.0p	68.6p	-28.9%
A bottle of spirits	53.13p	54.73p	-22.4%
20 cigarettes	34.5p	83p	+76.3%
A gallon of petrol	30p	68.1p	+52.2%
Vehicle	£50	£100	3.7%
All duties			+40%

FOR Mr Nigel Lawson, the Chancellor, it is—as one insider in the Budget-making process puts it—"as if all his Christmas and birthday wishes have come at once."

In next Tuesday's Budget the Chancellor at last has the chance to redeem a clutch of the remaining IOUs in the Conservatives' 1979 and 1983 manifestos.

After three sometimes ingenious but hardly dramatic Budgets, he will be able to put money in the voters' pockets, and to put the finishing touches to the Government's economic platform for a third term.

With the odds apparently shortening on an early election, the timing could not have been better. The likely contents of the Budget have been well-rehearsed, barring of course what has become the mandatory surprise. Officials do not blink at the suggestions that Mr Lawson may have £5bn to divide between tax cuts and a lower borrowing target.

Depending on how far he leans towards prudence, that means 2p, 3p, or even 4p off the 29p basic rate of income tax. The promise in 1979 of a starting rate of 25p is no longer a pipedream.

Increases in the threshold for mortgage interest relief, cuts in the top rates of tax, a generous approach to the duties on alcohol and petrol, and cuts in capital gains tax are also within his grasp.

Whatever their public pronouncements, the Labour Party's economic experts must be feeling distinctly uneasy at the prospect of going into the

election with a promise to take it all back.

Mr Lawson, who has come to relish Budget speeches in much the same way as Mr Norman Tebbit delights in political scraps, also has the economic indicators on his side.

Living standards are rising faster than at any time for eight years. Output growth is accelerating, inflation is below 5 per cent, exports are benefiting from last year's hefty devaluation of the pound, interest rates are falling, and public sector borrowing is undershooting its target. The slogan will be the seventh successive year of economic growth.

It will be possible to cavil at some of the claims. Mr Lawson's rhetoric on inflation has always run far ahead of his achievements. This year prices look set to rise as fast as in 1983 despite the halving of the oil price. Economic growth over the last few years has been an irrelevance to the more than 5m unemployed.

Serious economists are worried about the medium-term implications of the massive deterioration in Britain's manufacturing trade. Industry's recent competitive gains could still be frittered away in higher profits and earnings rather than increased output.

But even if they lambast his policies, Mr Lawson's political opponents and critics can hardly dispute his extraordinary good fortune.

That, of course, is not the way the Chancellor will present it. For him the tax giveaway represents the fruits of sound financial management during

eight years of Conservative rule. The strength of the economy reflects the result of adherence to the Medium Term Financial Strategy which Mr Lawson himself drafted as a junior Treasury minister in 1980.

There are one or two presentational problems. Mr Lawson has only in the last two months appreciated just how large the so-called "fiscal adjustment" will be. In December he told the House of Commons that he doubted whether he would be able significantly to reduce

taxes. He had already, he thought, given the money away when he decided to abandon attempts to hold public spending constant in real terms and to add £10bn to the totals over the next two years.

Since then the picture has been transformed by the extraordinary buoyancy of receipts from corporation tax and value-added tax. As one official puts it: "Since we did not know until January that there was so much money coming in we can hardly claim it was all good judgment."

That said, Mr Lawson finally would mean freezing public spending in real terms for a decade. Since he made that remark, the Government has raised public spending by over 7 per cent in real terms and plans further increases over the next few years.

Cuts in income taxes have been targeted on the more affluent. An unmarried worker on average earnings has seen little change since 1979 in the around 32 per cent of pay taken by income tax and national insurance contributions. For someone of the same status on 10 times average earnings there

has been a sharp fall in the Government's share from 67 per cent in 1979 to around 53 per cent now. At the other end of the scale an individual on half average earnings has seen their proportion rise from 23.5 per cent to nearly 26 per cent now.

Everyone is paying more in VAT and in excise duties. The duty on petrol, for example, has risen by over 52 per cent in real terms since 1979. Smokers have had an expensive health education lesson in the form of a 76 per cent increase in the duty on 20 cigarettes. Only the duties on wine and spirits have fallen.

That said, the majority of those in work have undoubtedly prospered under the Tories—the real post-tax earnings of a man on average wages rose by about 11 per cent between 1979 and 1986.

Lots of other things have changed since 1979. Then Sir Geoffrey Howe, the then Chancellor, did cut the basic rate of tax from 33p to 30p (it was lowered to 29p last year) and the top rate from 83p to 60p in his first Budget in 1979. But that was paid for by almost doubling the rate of VAT to 15 per cent.

In his second and third Budgets in 1980 and 1981 taxes were effectively raised by around £5bn before being reduced again by nearly £5bn in the following two years.

A lucky Lawson hits the jackpot

is in a position to deliver a hefty first instalment of the tax cuts which the Government has always promised but, as yet, failed to deliver.

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Mr Lawson's record is slightly better—taxes have come down in each of his three Budgets, but hardly spectacularly. Some taxes have been abolished altogether—the investment income surcharge, the employer's national insurance surcharge and capital transfer tax among them.

The overall tax burden on the economy, including corporate expenditure as well as income taxes, has none the less risen from 33.8 per cent of national income in 1979-79 to around 38 per cent now.

To get the burden back to the levels of the early 1970s, Mr Lawson said in his first Budget, has been a sharp fall in the Government's share from 67 per cent in 1979 to around 53 per cent now. At the other end of the scale an individual on half average earnings has seen their proportion rise from 23.5 per cent to nearly 26 per cent now.

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closer to 5 per cent in 1979. Mr Lawson should have little trouble keeping to that target in 1987-88 even if he chooses to announce tax cuts of £3bn.

Another constant thread has been parallel promotion of wider share ownership and privatisation programme, a survey commissioned by the Treasury to coincide with the Budget is expected to show that the number of individual shareholders has climbed from around 3m in 1979 to about 8m now. Mr Lawson might well decide to push that process further on Tuesday, with the introduction of further incentives for employee share schemes and for personal equity plans.

The extent to which this Budget will provide a bridge to the policies of a third Conservative Government is more difficult to gauge. In economic terms it would be the final moment for Mr Lawson to restore some of his lustre as a tax reformer. Change inevitably involves losers as well as gainers, so the time to introduce it is when the pill can be sweetened with tax cuts for all.

But after his promising start in the 1984 Budget when he overhauled the corporate tax system, Mr Lawson has seen many of his ambitions fall victim to the political antennae of the Prime Minister.

The Conservatives may be floating the idea of a further major shift towards indirect taxation during a third term, but the Chancellor has promised that there will be no move in that direction during the present parliament.

Whether Mrs Thatcher would want to begin a new parliament by imposing VAT on children's clothing and food must be open to question. The logic of moving towards a more neutral tax system would also point to the phasing out of mortgage interest relief—instead Mr Lawson will probably raise it. There may be a parallel decision to confine the relief to the basic rate of tax, but it would be hard to call the overall package reforming.

Similarly, the pension funds have a guarantee that their tax privileges are safe, at least until after the election.

The Chancellor can, of course, point to his ambitious plans for reform of personal income taxes in the early 1990s—involving the replacement of the married person's allowance with a system of single transferable allowances. A difficulty there is that Mrs Thatcher's officials make no secret of the Prime Minister's dislike of the fact that the switch would discriminate against working women. "She thinks it is a sexist comment," one Downing Street adviser says.

There may also be a more fundamental problem—a re-elected Conservative Government may never again have as much money available as this year. Some of the current buoyancy of tax revenues is likely to represent a permanent income gain to the Treasury but perhaps half is a one-off windfall.

The progressive run-down in North Sea oil revenues and the prospect that the Treasury will eventually run out of assets to privatise will also put a squeeze on government finances. So unless Mr Lawson were to succeed where the Government has failed for the last eight years—in holding public spending constant—Tuesday may be the first and last of the Conservatives' tax bonanzas.

Man in the News

Arturo Cruz

A Contra who was never a pro

By Peter Ford in Managua



ARTURO CRUZ was always an unlikely freedom fighter. More comfortable in a three-piece suit than modelling his "I am a Contra too" T-shirt for photographers alongside President Ronald Reagan, he was the face of Contra respectability.

Respectable and patrician, the man who resigned from the Nicaraguan rebel leadership this week was the quintessential technocrat.

The most respected political leader of the anti-Sandinista guerrilla movement, Cruz, 63, is a man of moderation in both politics and personal style. For years he has clung valiantly to his faith that there is a middle way through the conflict besetting his country—but he has never been quite sure where to find it.

Educated at Washington's Georgetown University, Cruz was safely berthed at the Inter-American Development Bank before he plunged into the maelstrom of revolution and counter-revolution.

He emerged into the spotlight 10 years ago, when he joined a group of other distinguished Nicaraguans known as the Group of 12, who had allied themselves with the Sandinistas to seek an end to the 50-year Somoza dictatorship. He did so, he explained later, on the understanding that the new government would leave room for private enterprise, hold free elections, and depoliticise the army—a reformist government built upon social democratic principles. But he misjudged what the Sandinistas were about.

A few weeks after the 1979 revolution, which brought the Sandinistas to power, Cruz was attending an economical policy making meeting as one of the central bank. He was surprised to find uniformed members of the Sandinista directorate at the table. "It had not dawned on me until then," Cruz confessed later, "that the National Directorate was going to run the country."

Even when it did dawn on him, Cruz soldiered on, switching from the central bank to the country's ruling junta for a spell, and then moving back to his family in Washington as

Nicaraguan Ambassador to the US. The strain of representing a revolutionary junta with which he was increasingly out of sympathy soon proved too much, however. Cruz resigned.

Three years later, he was tempted back to the fray by the Nicaraguan presidential elections, in which he campaigned on an opposition coalition ticket.

Charging that the opposition was not being given a fair chance, he pulled out of the race, and went back to Washington.

There, he was snapped up by the State Department, which was looking for an honourable man with democratic credentials to polish the image of this Contra. A familiar face in Washington, Cruz set about convincing Congressmen of the legitimacy of the Contra cause.

He and his State Department allies believed that to win international public opinion and Nicaraguan sympathies the Contras needed a political programme which was both democratic and pluralistic—as Cruz said in his resignation statement, they had to become "a liberation movement rather than a legion of conquerors."

This involved weeding out officials accused of drug smuggling and corruption, and, above all, making the Contra military chiefs answerable to a broadly based civilian leadership. But

his efforts at reform were constantly frustrated. Cruz's critics have called him a political innocent, who misjudged first the Sandinistas, then the Contras.

Cruz himself acknowledged ruefully this week that "Part of my tragedy is that I am not a politician."

Now, the politicians and the soldiers are back in charge of the Contras; but their future both inside and outside Nicaragua looks bleak.

On the battlefield, Cruz's resignation will mean little. The peasant youths who make up the Contra army had scarcely heard of the man and owe their loyalty to the military commanders. Among the top command-

ers, a majority of whom are former Somoza National Guard officers, Cruz is immensely unpopular, regarded as an imposition from Washington.

But if the Contra foot soldiers are going to keep up the fight against the vastly superior Sandinista army, they will soon need more weapons. And the only constant source of such weapons is the US Congress.

There, Cruz's resignation could prove a body blow. The price of congressional Democrats' support for Contra aid has long been Contra reform and Cruz was their supposed guarantor that reforms would take place. Now that he has thrown in his hand in disgust, the Democrats could follow suit.

Congress scepticism about the Contras has deepened with the revelations of the Iran-Contra affair. And while the Tower Commission's report found no conclusive evidence of illegality in the alleged diversion of funds to the rebels, it has opened up many leads to be followed by congressional committees and FBI teams investigating the question of Contra funding.

These investigations may well provide further embarrassing evidence before Congress votes next autumn on an Administration request for another \$105m (£66.1m) in aid for the Contras.

Rarely have the Contras seemed to be in such disarray. But they have been written off before—when Congress suspended funding in 1984, for example—and to do so now may prove premature. The rebels have six months to rehabilitate their image before the crucial Congressional aid vote in September—and even a Democrat-controlled Congress may be unwilling to rebuff them, and face charges of being soft on communism.

In Washington, Cruz is settling down to a quieter life, lecturing, consulting, and perhaps a book. But even twice bitten by his political experiences, no one is betting he will remain shy. As his friends and enemies concur, with Arturo Cruz, you never know what he might decide to do.

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A RADICALLY NEW HOLIDAY PROGRAMME CREATED FOR THE CONNOISSEUR WHO APPRECIATES THE BEST... AND ACCEPTS NOTHING LESS.

FOR ALL the drama that it creates, the City of London has seldom inspired the theatrical world to produce great works. Men in pinstripes mouthing financial jargon, it must be said, do not make the best dramatic personae.

But a rare meeting of Mammon and Theatrical is about to take place at the Royal Court Theatre in London's Sloane Square where a new play about the City is in the final stages of rehearsal. Called "Serious Money," it is a fierce satire about the UK financial community, with a lot of Wall Street thrown in as well. The author is Caryl Churchill who is known for her plays about people driven by obsessions, and for her skill in researching and recreating the atmosphere of very particular places. Quiet, keenly alert and in her early 40s, she has clearly found in the City the very stuff of dramatic tension. "The City is appalling," she says, "but in a very interesting way."

Although the momentous events in the City in recent months—Big Bang, the scandals and the takeovers—might have triggered the idea of a play about high finance anyway, "Serious Money" has its origins before that. Ms Churchill was thinking about the City as a theme early last year. So was Max Stafford-Clark, a director with whom she had worked in the past.

"Royal Court plays are usually about poor people," he said. "Actors are always being asked to depict poverty." So why not do something about rich people, thought Stafford-Clark. After all, the Restoration comedies owe much of their vigour to the fact that they are about money and the grasping middle classes.

To prepare themselves for this unusual endeavour, Churchill and Stafford-Clark assembled a team of eight actors last summer for a "City workshop." They each joined City institutions for a couple of weeks to imbibe the atmosphere, meet the people and get a feel for how the City works. Then they tried to re-enact what they had seen and learnt.

The aim at that stage was to mount a production with a minimal plot which evoked the ways of a particular community. This is very much in the Royal Court tradition of "work plays" by writers such as Arnold Wesker and David Storey. But then the City erupted. "It was to be a depiction of people at work. But there was so much happening in real life that we decided we could write a plot," said Ms Churchill. She got to work shortly after Christmas and, propelled by unfolding events, had a script ready within a few weeks. This week she was still updating and reshaping it down in the Pimlico church hall where the cast are rehearsing



Caryl Churchill, the author (right) with director Max Stafford-Clark

Well-versed in the ways of the City

(and deafening the neighbourhood with its enactments of the trading pits). The plot is highly topical. The central story is about a Guinness-style takeover in which a ruthless chief executive uses every means, fair and foul, to buy up an old fashioned English company, with fearful results including a couple of deaths.

But Ms Churchill has woven into the story virtually all the contemporary City's most

dals to make it clear that those are not the events being shown on stage. (The American arbitrageur/insider dealer character is actually a woman, because Ms Churchill wanted more female parts). The dialogue is written in a curious doggerel with lines which rhyme but seldom scan. Ms Churchill chose that, she said, to evoke something of the energy and wit of the City.

"Trading options and futures looks tricky if you don't under-

stand it. But if you're good at market timing, you can make out like a bandit." The older City types speak in blank verse, and one ageing jobber even has his lines written in sonnet form. Churchill wants the play to be exhilarating and funny, but she is also writing about the forces which she believes drive the City on: fear and greed. In a bitter climax, the play ends with a Conservative election victory and a triumphant City song in celebration of five more years of freedom, "free to step on

other people's faces." The cast are chanting "greed and fear" as the curtain falls.

So, is "Serious Money" just a grand exercise in City bashing, with all the stock characters, virtually all of them baddies? Some people may see it that way, including British Telecom which declined to help out with the production because it felt the play was not one with which a publicly quoted company should be associated. But the production staff and the cast claim there is much more to it than that.

Caryl Churchill, who describes herself as a Socialist, says her experience in the City has reinforced her belief in a more planned economy. "You cannot have such a devotion to free market forces when there are so many unemployed," she goes so far as to say that the City "is spinning out of control," but she confesses that the closer knowledge she now has of the way the financial system works has taught her

David Lascelles watches rehearsals of a savage satire on the people behind Big Bang

colourful themes: insider dealing, arbitrage, sky-high salaries, corruption, even Third World debt and Mr Ralph Halpern's liaison with a model. There are turbulent scenes set in the financial futures markets and the trading rooms, and pathetic depictions of the decline of the City's old guard after Big Bang. Brash young dealers in their Lamborghinis, hypocritical stockbrokers, flashy investment bankers all make up a large cast.

The play frequently refers to the Guinness and Borsky scan-

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that "there are no easy solutions." She was also shocked by the indifference she found there to the problems of the Third World. Yet the playwright in her told her that such worthy issues would only seem boring and obvious on stage, so she steered well clear of didacticism.

"The play does not aim to encapsulate a message, but to draw a picture. What will audiences get out of it? I hope they understand better how the City works, enjoy the exhilaration of it, become more aware of the issues."

For the actors too, their acquaintance with the City was a thought-provoking experience. Burt Caesar, a West Indian from St Kitts who acts a corrupt African cocoa dealer, found himself in the sugar trading floor one day, and was appalled to discover that the market which rule home copatriots' lives back home consisted of just one man and a telephone.

Linda Bassett, who plays a lady stockbroker, says she doubts if it is even fair to play a role which drive the City, and great. The people she met professed astonishment that she could survive on Royal Court pay levels.

On the other hand, the workshop introduced these actors to a world that is more distant than most from their professional and personal lives. Meera Syal, who brings to the Latin American debt theme to the play in her role as a Peruvian copper magnate with all her wealth in a Swiss bank, says: "It was quite an achievement just to learn to read the FT. You are brought up to think of the City as being somewhere quite different."

For Mr Stafford-Clark, the director, "Serious Money" is a play which has shown up just how financially illiterate most people are. And there is certainly a danger that the production—with its frequent references to things like debt-equity swaps, buffer stock buying and Eurobond spreads—will be way over the heads of the Royal Court audience.

But that is a risk which Mr Stafford-Clark and Ms Churchill are willing to take for the sake of authenticity. "I don't mind so long as people get the gist," says Churchill.

If it succeeds, "Serious Money" could mark another step in the steady evolution of finance as an acceptable subject for literary and dramatic treatment. Paul Erdman launched a genre of sorts with "The Crash of 79" in 1977. Since then financial thrillers have proliferated. But Mr Stafford-Clark believes this is the first attempt to depict the City on the stage. The City may not like what it sees, but in the light of the events of the past few months, it could hardly expect sympathetic treatment.

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The Zeebrugge disaster

When it's harder to give than to take

By Lisa Wood

THE TELEPHONES have been ringing all day and most of the night this week at Dover District Council's makeshift headquarters for the Channel Ferry Disaster Fund.

To date more than £1.5m has been raised. The Government has donated £1m. The European Commission has given £200,000 (£175,000) to Aid for Disaster in the Community Fund, which has an annual appropriation of £2.75m. Donations from the British public pour in. Such disaster appeals touch the sympathies of people who otherwise give little to charity.

London would not have been rebuilt so quickly after the Great Fire had it not been for private philanthropy argues Mr Benedict Nightingale in his book, *Charities (Allen Lane)*. The equivalent of £1.5m was raised to help those afflicted by the Crimean War. The results of more recent appeals are shown in the table.

The problem is not the giving, but the taking. Time after time disaster funds have sunk into swamp of recrimination as to how the money should be distributed. It is a controversy the four trustees of the Dover appeal fund, meeting for the first time yesterday, are keen to avoid. In establishing their trust fund, they are drawing heavily upon the experience of those who ran the appeal for victims of the stadium fire at Bradford City's football ground in 1985 in which 56 people died.

A key problem identified by the Bradford disaster fund was the precise status of such appeals. That is, should it be a charitable or a discretionary fund.

A charitable fund attracts generous tax reliefs, but requires adherence to the rules of the Charity Commissioners, which state that money must be allocated on the grounds of need. "Money cannot be used to make somebody rich overnight," the Commissioners say.

A discretionary trust, on the other hand, receives no tax relief but places no limit on the amounts that can be paid to individual beneficiaries. The charitable fund set up following the great disaster at Aberfan in 1966 when a coal mine, killing 118 children and 29 adults, caused considerable bitterness and acrimony within the community

and made clear the need for better guidelines. "There were difficulties, which were understandable, in respect of the views of the Charity Commission. It has to abide by the law, which throws up technicalities," says Sir Alun Talfan Davies, chairman of the Aberfan trustees.

Fifteen years later, in 1981, when eight lifeboats from Penlee, Cornwall, lost their lives, there was similar confusion. An initial appeal said all the money raised would be distributed immediately to the families of the eight. Four days later, a second statement said money would be held in a charitable trust so that any funds in excess of the reasonable needs of the bereaved would be used for other charitable purposes.

The bereaved complained. So did many of the public. In letters to The Times, dozens said

person. "We were satisfied it was fair although we did a few reassessments before making the final payments," says Mr Suddards. Tax amounted to £92,000, a not inconsiderable sum. The effect, says Mr Suddards, was mitigated by recipients being able to offset part of the payments against their own tax.

Almost all the money was paid out within nine months. "Speed is important," says Mr Suddards. "Money will not eradicate the tremendous emotional stress people suffer in these tragedies. But it removes the fear of financial difficulties."

Much, obviously, rests upon the calibre of the trustees of a discretionary fund. The Treasury, which gave £1m to the Channel Ferry fund, insisted that Sir Peter Lazarus, former Permanent Under Secretary at the Department of Transport, should join the trustees. The other three, the initiative of Dover District Council, are local people.

"It would be wrong to suggest that there will not be criticism over the allocations. It is bound to happen," says the trust's manager, Mr John Greig, a retired Dover Council official.

Some Dover donors, for example, have wanted to earmark their donations specifically for the families of local crew members. The answer has been a polite refusal.

For the ferry trustees, the problems of assessment may be harder than at Bradford, where the injured lived largely in the immediate area.

Nevertheless, Mr Greig says he is sure that the discretionary trust fund model is correct. "We will be able to cover a whole spectrum of loss. We also want to be able to disburse funds within one year."

The experience of Bradford and Dover may well end the use of charitable status for disaster funds. Mr Hubert Picard, a barrister who was involved in drawing up the Bradford Trust deed, says the issue of the regulation of trustees has not yet caused "major problems arise," he says "it may be that legislation is needed. The experience of Bradford was that the team worked out very fairly a system for who got the money. We shall no doubt learn lessons from the administration of this latest disaster fund."

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	Star-Save	8.75	8.75	Yearly	Tiered	Inst. ov. £10K 9.00% deb.+bonus
	Star Account	8.75	8.75	Yearly	Tiered	Inst. ov. £10K 9.00% deb.+bonus
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	Star-Save	8.75	8.75	Yearly	Tiered</	

UK COMPANY NEWS

Perry ahead by 32% and current year starts well

THE YEAR 1986 has turned out to be a good one for the Perry Group of Ford and GM main dealers, with all sections returning improved figures.

In particular used car sales performed well by doubling their profit, while the new car section showed a useful increase on virtually unchanged sales volume.

Better sales and even better margins enabled the group to make up a first half shortfall and show a jump of 32 per cent, from £3.56m to £4.7m, to pre-tax profit. And chairman Mr John Macgregor revealed that for the first quarter of the current year forecast profits were up by 17 per cent.

The chairman believed that 1987 would be a particularly successful year. Senior dealership management was responding to a substantial profit linked bonus scheme.

Ford's product range, he said, was at its all-time best and its market share should improve as a result. Trends in interest rates indicated that the home market would have a buoyant year.

He was confident that shareholders would be well satisfied with the results. They participated in the 1986 increase to the extent of having their dividend lifted by 1.5p to 6p net, the final being 4.5p.

Over 1986, considerable momentum had been built up which should be maintained by

acquisitions currently under negotiation.

The first nationwide crash repair centre opened in Dunstable last September and was performing to expectations. The next two sites were under negotiation.

"The group made considerable progress in the estate agency business, which it had been building up recently, but development costs led to a net operating loss for the year."

Including two "cold starts," there were 11 agencies operating and a further five were under negotiation. There was confidence, said the chairman, that the division would contribute to group profits this year.

Turnover in 1986 rose 12 per cent to £171.38m and operating profit advanced by 33 per cent, from £4.3m to £5.76m. Interest charges were up to £1.06m (£750,000) on clipping the percentage rise at the pre-tax level. Included in the profit was £250,000 realised on the restructuring of the hire purchase business.

Used car profit was ahead by 110 per cent, car servicing by 27 per cent, and new car sales by 16 per cent.

Tax took £1.83m (£1.56m) to leave the net profit at £3.93m (£2.2m) or earnings of 15.8p (11.1p) per share.

The group's property portfolio was revalued at £15.9m and the £5.2m surplus taken to reserves.

comment

Used car sales have proved to be the star performer for Perry Group, making a doubled contribution to profits and pipping new-car sales for the first time. The newer estate agency business has proved a slow starter and Perry is taking a more cautious attitude to future expansion in this area. Much of the gain has come from tighter in-house financial controls—the inventory value of unsold but fully paid-for cars has fallen from £590,000 to £50,000, all dealerships now pay a national rent and the commission arrangement with Ford Credit for car purchase finance has produced almost £800,000.

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comment

BTP wins battle for Barrow Hepburn

By Clay Harris

BTP won the battle for Barrow Hepburn yesterday, declaring its £31.5m bid unconditional after gaining control of 52.1 per cent of the chemical and engineering group's shares.

The offer had been recommended by the Barrow board, which had been trying since December to resist a hostile takeover bid by Yule Catto, the chemicals, building products and plantations group.

Barrow, once Britain's leading tanner, had extricated itself from the troubled leather business but a series of acquisitions and disposals over the past decade failed to create consistent success.

Yule Catto said yesterday that it had received acceptance for 2.65 per cent of 2.65 per cent of Barrow's shares, to take its total interest to 6.32 per cent. As a result, it had planned to withdraw its offer even before BTP's announcement.

BTP, also a chemicals manufacturer, said that its cash alternative of 70.3p would remain open only until March 27. Its 23-for-50 share offer, worth 86.5p yesterday, has been extended indefinitely.

Yule Catto has not yet accepted BTP's offer on behalf of itself and an associate. Barrow shares were unchanged at 79p.

Ford & Weston agrees bid for Raine

By Nikki Tai

Ford & Weston Group, the East Midlands builder and shopfitter, has agreed to buy Raine Industries, the housebuilder and steel re-roller of which Mr Nigel Rudd is chairman.

Directors of Ford & Weston, together with certain other shareholders, have given irrevocable undertakings to accept in respect of 52 per cent of Ford's shares, and holders of another 25.3 per cent have indicated that they will also accept.

Under the terms of the offer, shareholders can swap one Ford & Weston share for one Raine share. Yesterday Raine shares were trading at 103p, although the offer came too late to make much impact.

There is no cash alternative but Savory Mill, the company's brokers who first placed the shares at 85p in June 1986 when the company came to the USM, are offering to buy back at a similar price although holders of 77.3 per cent of the shares have indicated that they will not take cash. The suspension of dealings will not otherwise be lifted.

Ford & Weston announced last December that the placing forecast of £225,000 pre-tax for the year to end-September would be missed by a "very substantial margin."

This was due to losses in C. Miskin, one of the company's subsidiaries in the south-east which, it revealed yesterday, are estimated at £15.9m.

Miskin will probably now be sold to its existing management for a nominal sum but at any rate will not remain in the group after the Raine deal. The rest of the group traded as expected, making a pre-tax profit of £945,000 in 1986/6. Net assets at end-September, excluding Miskin, would have been £42.7m.

Raine, which owns a 23.2 per cent stake in construction group Tilbury, for which it has said it will not bid before June, reported doubled profits of £874,000 in the year to June 1986.

ABU DHABI Investment Authority increased its interest in MAI to 5.37 per cent and told the financial services and advertising group that the holding was a long-term investment.

GROSVENOR SQUARE Properties Group has sold its four-acre site in Terminus Terrace, Southampton, for residential development. Consideration was £1.5m without the relevant planning permission.

LODGE CARE has acquired Brooklyn Nursing Home for £900,000 cash. Lodge now has six residential and 13 nursing homes and said the purchase closed the gap in its geographical spread between Brighton and Hastings.

WOODHOUSE & RIXSON (Holdings) has entered into a conditional agreement to acquire Shildon Forge, based at County Durham, for £1.08m, to be satisfied by the issue of 1,636,264 new ordinary shares. Woodhouse said the purchase will give it an entry into specialist engineering. Of the new shares issued 878,788 have been placed by Samuel Montagu. Shildon had a turnover of £2.8m and gross profits of £572,000 for the year to September 1986.

British & Commonwealth takes 24% of Appletree

BY CLAY HARRIS

British & Commonwealth Holdings is to take a 24 per cent stake in Appletree Holdings, the snack foods manufacturer and fresh produce distributor which is moving to a full listing.

The financial services and transport group will pay \$8.4m for its stake, which was announced yesterday along with an institutional placing of an additional 7.4 per cent of Appletree's equity through Kleinwort Greaveson. The 160p placing price puts a £28.7m value on Appletree.

It also emerged yesterday that B&C, now headed by Mr John Gunn, gave financial backing last year to two unsuccessful attempts by Hunters Foods, now part of Appletree, to buy the Golden Wonder crisps company.

Hunters' offer of more than £50m was piped by Daigtry in the initial sale, which was cancelled after Hanson Trust won the battle for Imperial Group. In the subsequent auction, Hunters led the bidding with a £90m offer. The deal was not completed, however, because of

capital gains tax complications and Golden Wonder ended up with Daigtry after all.

The contact established at that time led to yesterday's deal, according to Mr David Johnson, Appletree chairman and chief executive and co-founder of Hunters. Mr David Johnson, B & C director and chairman of its Steel Brothers subsidiary, will join the Appletree board.

With cash resources of £6m, Appletree will be looking for appropriate acquisitions. Mr Johnson said. These are likely to be in sectors in which Appletree can take advantage of its access to retailers but will not be limited to existing businesses.

Hunters claims nearly 5 per cent of the UK crisp market and 2 per cent of sales of other snack foods, such as its Burger Bites and Crispy Crunchies. It reported pre-tax profits of £80,000 on sales of £18.4m in the year to last September 27.

The original Appletree business supplies pre-packed potatoes and fresh vegetables to UK supermarkets. It also imports

vegetables and citrus. Pre-tax profits reached £789,000 on turnover of £17.8m in the year to September 30.

The merger of USM-quoted Appletree and privately-owned Hunters was announced in January. After yesterday's placing, Mr Johnson will own 24.6 per cent of Appletree Holdings, in which Appletree shareholders are being offered shares on a one-for-one basis.

Swiss-based Unifood International Investments will have a 17 per cent stake, a Johnson family trust 9 per cent and Mr Maurice Webb, Hunter's co-founder, 7 per cent.

USM trading of the old Appletree shares (suspended at 150p) will resume on Monday with the new shares expected to commence trading under the full listing on April 7.

KLM, the Dutch national airline, is in talks about taking a minority stake in B&C's international courier subsidiary KLM. KLM is already discussing the purchase of a 15 per cent holding in B & C's Air UK.

Sutherland makes some recovery

E. T. Sutherland and Son, the USM maker of canned and chilled food products, made a substantial recovery in the second half of 1986 but failed to pick up the ground lost in the opening six months.

As a result, turnover fell from £23.64m to £22.94m, and profit before tax from £829,000 to £502,000 for the year.

However, this year was exacerbated by £246,000 exceptional reorganisation charges, bringing the profit down 69 per cent to £256,000. The final dividend is 1.57p for an unchanged net total of 3.33p. Certain shareholders have waived their rights to £266,000 (£317,000).

The figures were contained in the document for the recommended £7.5m merger with the fully listed Home Farm Products, a pork butcher. Full acceptance would give Home Farm 44 per cent of the enlarged group. Home Farm had already announced first half profits of £267,000 (£669,000).

The document stated that the combined product range was expected to accelerate sales and marketing opportunities. Significant economies in purchasing of supplies were also anticipated, while the comparable customer lists should lead to substantial distribution savings.

The group believed that, as a quality orientated and innovative manufacturer, it would fill a specialist niche in the highly competitive grocery market, with both branded and private label brands. It was currently reviewing further opportunities for growth, both by organic development and by modest acquisition.

Mr Peter Sutherland, present chairman, will become president, and Mr Michael Moss, formerly with Unilever, will join the board and become non-executive chairman. Mr J. Micklethwaite and Mr W. Hall, of Home Farm, will also join the board.

SHV leaves options open on new offer for IC Gas

SHV tried to dampen speculation yesterday that it was planning a new offer for all or part of Imperial Continental Gas Association, the calor gas and investment holding group. It did not, however, permanently foreclose any options.

The private Dutch company said that it did not "intend to mount a tender offer in competition to the current tender offer" at 710p for about 15 per cent of IC Gas by the Belgian holding companies, Groupe Bruxelles Lambert and Tractebel, which together already hold 14.9 per cent.

SHV's own tender offer at 700p for 25 per cent of IC Gas lapsed on Wednesday when it failed to attract the minimum

of 7.5m shares. It owns 4.9 per cent.

The Dutch concern also said that it had no "current intention to take the initiative in making a full bid for IC Gas," another statement which gives SHV leeway in dealing with any developments.

SHV and the Belgians are interested in different parts of IC Gas, which the management plans to split into two companies. GBL and Tractebel want a stake in the Belgian investment portfolio, which includes holdings in Petrofina and several utilities. The Dutch have their eyes on Calor.

IC Gas shares fell 3p to 719p yesterday.

Michael Peters moves up

Michael Peters, a USM-quoted marketing services and design consultancy, saw pre-tax profits rise by more than 50 per cent from £207,000 to £312,000 in the half year to December 31 1986. Turnover moved ahead from £3.67m to £5.1m.

However, Mr Michael Peters, chairman, said that profitability had been restricted during the six months by the seasonality associated with the company's increased involvement in overseas markets, and by its further investment in the new business areas established last year.

Mr Peters reported that the group was currently experiencing the highest level of demand for its services in its history. The company's efforts towards increasing the net return from its activities and Mr Peters said that the investment the company had made in the quality

and strength of its services had proven to be the right strategy.

Tax charges amounted to £112,000 (£83,000) and earnings per share moved up from 2.01p to 2.7p. The declared interim payment is lifted from 1p to 1.2p.

Arncliffe Holdings rejected Govett Strategic Investment Trust's 75p share offer for the 68 per cent of the Leeds-based builder that it does not already own.

Arncliffe, unchanged at 88p, said that a revaluation of its properties had increased net asset value to 180p per share. Govett bought its 32 per cent stake at 75p and was obliged under takeover rules to offer at least the same terms to all shareholders. Its offer values Arncliffe at £3.75m.

COMPANY NEWS IN BRIEF

GRAMPIAN HOLDINGS has announced the sale of Clachan Construction to a company owned by senior members of the Clachan management. None of the purchasers of the shares were directors of Clachan. Yet assets of Clachan at December 31 1986 were £161,458. The consideration for the sale is £106,000; £30,000 was paid on completion and the balance of £76,000 plus interest, is payable in five equal annual instalments.

POWELL DUFFRYN (engineering, fuel distribution and shipping), has acquired Bristol Pneumatics from the Kaye Organisation for £1.2m cash and repayment of £500,000 existing inter-company loans. Bristol, which specialises in the manufacture of compressors, has annual sales of approximately £3.8m.

WYNDEHAM GROUP (engineering and property): Company is to acquire for £365,000 cash a number of units at the Springvale and Llantrun industrial estates, Cwmbran, Gwent from the Cwmbran Development Corporation. The units currently produce a rental income of £48,000 per annum.

KLEINWORT BENSON International Income Bond Fund: Net asset value at March 4, 1987 was £5.70 and per participating redeemable preferred income share (£20.41) at pre-three-for-one capitalisation issue. Interim dividend of 15.03p (85.33p before capitalisation).

HICKSON, the chemical, timber protection and merchant distributor, has acquired 50 per cent of Pitt Metals & Chemicals Inc. and its subsidiary Electrochem International, with effect from February 23. These Pittsburgh-based companies are engaged in the manufacture of tin chemicals, utilising environmentally secure electrochemical technology. The consideration is £200,000 to purchase a small number of shares from existing shareholders, and £3.8m to purchase new shares issued by PMC.

ROBERTSON RESEARCH (technical and geological services to natural resource explorers) has sold loss-making instrumentation, logging systems and software activities of Robertson Research Engineering Services to the existing management for £330,000 cash, negotiations for the disposal of the business to a third party having broken down.

Bremner heads for the courts

By Philip Cogan

THE BATTLE for Bremner, property and department store group, headed for its inevitable destination yesterday — the courts.

An increasingly vituperative fight is being waged between Mr James Rowland-Jones, chairman, installed after a boardroom coup last year, and City and Westminster Financial, the group's main backer.

On Tuesday, at an extraordinary general meeting, CWF will attempt to unseat Mr Rowland-Jones. In the days leading up to the vote, shareholders have been deflected by the sound of angry circulars flailing into their doormats.

Mr Rowland-Jones has already called in Department of Trade inspectors to investigate the shareholding structure of Bremner. CWF holds a 26 per cent stake, which it says, obtained in an open way, that is, it is a nominee company called Malaga. The beneficial owners of which were revealed in a Bremner circular last year.

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Excess Insurance boosts profits 26%

Excess Insurance Group reported a 26 per cent improvement in pre-tax profits from £10.1m to £12.8m in the year to December 31 1986.

Premiums written totalled £300.5m (£233.7m); the underwriting balance was £25m (£17m) in loss; and investment and other income including realised gains were £38.4m (£27.5m).

Tax charges totalled £5.4m (£5.2m) and retained profit amounted to £8.1m (£10.8m). Shareholders' funds increased from £26m to £108.5m.

Ladbroke warrants The Ladbroke Group said that the terms attached to its warrants had been adjusted as the result of the three-for-10 rights issue announced last week (March 6).

The subscription price is reduced from 40.5p to 38.5p per share and the number of shares for which warrant holders are entitled to subscribe is increased by the multiple of 40.3/38.5.

Progress continues at Youghal

A CONTINUED recovery in the second half has given Youghal Carpets Holdings (Ireland) plc a pre-tax profit of £1303,000 (£275,000) for 1986 compared with losses of £1.44m. At the interim stage the company made a turnaround into profit with £23,000 pre-tax against a loss of £497,000.

The directors of Youghal County Cork-based carpet maker, spinner and dyer, said the improved trading conditions in the group's principal markets, indicated at the half-way stage, had continued. Product development and marketing programmes had been successful, which enabled them to strengthen the company's position in all sectors.

However, despite achieving their objectives in the market

place the financial impact was eroded, they said, in their main export markets because of the continued weakening of the US dollar and sterling. The group's significant manufacturing base in the UK provided some protection against the effects of the relative strength of the Irish currency.

The relationship between the Irish pound and sterling had created competitive pressure on the Irish manufacturing units. While the recent trend in sterling was welcome, the directors said they would take all necessary actions to ensure the Irish manufacturing base remained competitive.

The full benefits of the capital investment projects undertaken during the year would continue into 1987. A further programme

of capital investment was in place for the next three years to ensure the group kept pace with new technology. That programme would consolidate marketing plans over that period, they said.

Turnover for the year rose by nearly 6 per cent to £44.59m (£42.1m), generating a trading profit of £1.15m (£452,000 losses). Interest was slightly lower at £940,000 (£985,000), and there was an exceptional credit this time of £98,000.

There was no tax (£229,000 credit), and an extraordinary £163,000 credit (£387,000 debit).

Earnings per share came through at 1.3p (2.3p losses), or fully diluted, at 0.1p. There is again no dividend. The last payment was in 1977.

Sycamore cuts losses to £0.33m

Sycamore Holdings cut its pre-tax losses from £830,000 to £237,000 in the year to September 30 1986 on turnover considerably lower at £4.71m compared with £10.1m. No dividend is again payable.

After a refund from the group's pension schemes, a net profit of £1.45m was reported, and it boosted extraordinary credits to £1.78m against debits of £710,000 in the previous year. As a result of the extraordinary items, net assets per 25p share increased from 20p to 37p.

There was a loss per share of 3.9p (9.9p) before extraordinary items and earnings of 17.12p (18.09p loss) after.

The directors of this Bury-based holding company — it has interests in kitchen and garden furniture, foundry and plastics products — said that sales of garden furniture were below earlier expectations, as were those of the moisture tester and injection mouldings. That situation continued into the first quarter of the year.

However, they said, sales were now improving and books in all divisions were stronger than for some time, particularly in the leisure export markets.

IEP lifts holding in Equity & Law

IEP Securities, part of the Brierley Group of companies run by New Zealand businessman Mr Ron Brierley, announced yesterday that it had increased its stake in Equity & Law, the life assurance company, to 23.9 per cent.

Yesterday, market speculation also linked Mr Brierley's name with the recent purchase of shares in Union Discount. No one was available in London to comment for IEP or Mr Brierley, and L. Messel, the stockbroker who purchased the shares, refused to disclose who their client was. The brokers did, however, confirm that a stake of more than 5 per cent and under 15 per cent had been bought.

Mr Graeme Gilmchrist, Union Discount's deputy chairman, said the company had not been notified of the purchase yet and had no notion of who might be involved. According to the recent annual report, the Kuwait Investment Office held a 6.6 per cent interest.

Mitchell Cotts

The payment of a dividend by Mitchell Cotts would cost some £480,000 and not £4.8m as was reported in yesterday's Financial Times. Forecast profits after taxes and extraordinary charges for the trading group are £11m for the year to June 1987.

James Wilkes falls into the red in second half

CONTINUING problems at its Derint Engineering subsidiary left James Wilkes with pre-tax losses of £215,917 for 1986 against profits last time of £788,424. The maker of printing and box making machinery and promotional products made an interim profit of £230,663.

However the directors are proposing an unchanged final payment of 3.75p making a same-again total of 6.75p. The shares closed down 2p at 138p, having fallen 17p the previous day. The loss per share came out at 4.2p (13.3p earnings).

The directors said that Derint sustained substantial losses on completing two large

contracts making bespoke machines. It had since been decided to change to making more standard machines and the year's figures included major write-offs in connection with the previous activity.

The offset was now trading profitably and had a good order book. The other parts of the group were trading well and directors were confident that Wilkes would return to profit in the present year with a pre-tax trading figure of not less than £750,000 expected.

Turnover increased from £5.75m to £7.94m. There was a tax credit of £44,058 (£248,442 charge) and extraordinary debits of £20,000 (£177,551).

New England shares leap

BY RALPH ATKINS

SHARES in New England Properties went up 77p to 53p yesterday as control switched to two new directors who plan to use it as a vehicle for syndicated property development projects.

Mr David Jackson and Mr John Hackman, who joined the company's board yesterday, have together bought a 50.1 per cent stake in New England from the Hunting Group. They have also announced a rights issue to raise £1.5m after expenses.

The company plans to use the money raised to help fund development projects.

Mr Jackson and Mr Hackman bought 13,05m shares at 4.23p each. Because they own more than 30 per cent of the company's shares, takeover rules mean they have to make an offer for the rest of the issued equity.

The offer they have made is 5p cash for each New England share and 20p for each £1 nominal of loan stock.

So far shareholders representing 86.4 per cent of issued shares have undertaken not to accept the offer and are backing the rights issue. Hotspur Estates, which owns 50.3 per cent of loan stock has also said it will not accept the offer.

The rights issue involves 41.25m shares at 5p each. The terms are three new shares for every two ordinary and six new ordinary for each £1 nominal of loan stock.

New England has also announced preliminary results for the year to December 31 1986. These show a pre-tax profit of £121,000 on a turnover of £4.86m. In 1985 the company made a loss of £597,000 on a turnover of £538,000.

However the profit and loss account also includes extraordinary items of £1m due to property disposals that enabled the company to substantially reduce its borrowings. The loss attributable to shareholders was £85,000 compared with £597,000 in 1985.

Blacks buys sports shops

BY RALPH ATKINS

Blacks Leisure, saved from receivership by a £1m package raised by a consortium, in October, is to acquire two chains of sports shops for £891,000.

The camping and leisurewear retailer yesterday announced a deal to buy Howard Sports, based in the North West, and Sullivan Sports, in Liverpool. The deal is conditional on shareholders' approval.

Mr Bernard Garbacz, chairman of Blacks since November, said the acquisitions were part of a recovery programme for the group.

CURRENCIES & MONEY

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LONDON STOCK EXCHANGE

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FOREIGN EXCHANGES

Pound eases on profit taking

STERLING LOST ground in currency markets yesterday as traders wound down long positions ahead of the weekend and next Tuesday's UK budget. The pound, however, was held up by a firm undertone in the oilpin, which led to a rise in oil prices, and a rise in the price of gold. The pound's recovery was helped by a rise in the price of gold, which was held up by a rise in the price of oil. The pound's recovery was helped by a rise in the price of gold, which was held up by a rise in the price of oil. The pound's recovery was helped by a rise in the price of gold, which was held up by a rise in the price of oil.

Table with 2 columns: Currency, Rate. Includes Sterling, Dollar, and other major currencies.

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Budget optimism lifts equity index to 2,000

Table with 2 columns: Index, Value. Includes Financial Times Stock Index and other market indices.

Table with 2 columns: Index, Value. Includes Financial Times Stock Index and other market indices.

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Wednesday and Saturday

For details of Advertising Rates contact:

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Life	198.9	+1.6		40 Coverage rat	108.3	108.9	
Acc	183.9	+0.3		Shield Life Mngt	708.3		
Pend	129.1			Shield Pension Mngt	708.2	120.9	
Total P&L	95.0	+2.7					

هكذا من الأصيل

INSURANCE, OVERSEAS & MONEY FUNDS

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Sterling Currency Fd 10.0946
 Sw. France 10.5364
 USS Currency Fd 10.44.1225
 Van Currency Fd
Kleinwort Benson Islamic Fd Mgmt
 PO Box 44, Guernsey, CI

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517	Continental Corp.	A252.0036	14.95						
518	American Tel.	A252.0036	14.95						
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570	Continental S.	A252.0036	14.95						

Trust Funds									
				Grain	No. Grain	Gr. Int'l Cr			
Strategic Metals Corp. Metal Products							Wheat Co Ltd		
5 Burlington St., London W1L 1LE				01-734 6202			01-283 6463		
Strategic Metals Pk. S.M.A.P. Ltd							01-283 6463		
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01-2257 2400	1425	NAV SWR. 10K vol US\$447.35	22 Childrens SW, Columbia Ave. 10K	7.25	10.00	00
01-2257 2400	1425	Target International Music (Jenny)	24 Alden House	0.75		
01-2257 2400	1425	PO Box 465, St Ingers, Jersey	25 Cliftone SW	0.50		
01-2257 2400	1425	147-177 High Mallows Lane	30 Tracy Road, ECIV SW	7.40	11.00	00
01-2257 2400	1425	Yarget International Music	31 Croydon SW	0.50		
01-2257 2400	1425	174-177 High Mallows Lane	32 Croydon SW	0.50		
01-2257 2400	1425	174-177 High Mallows Lane	33 Croydon SW	0.50		
01-2257 2400	1425	174-177 High Mallows Lane	34 Croydon SW	0.50		
01-2257 2400	1425	174-177 High Mallows Lane	35 Croydon SW	0.50		
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01-2257 2400	1425	174-177 High Mallows Lane	39 Croydon SW	0.50		
01-2257 2400	1425	174-177 High Mallows Lane	40 Croydon SW	0.50		
01-2257 2400	1425	174-177 High Mallows Lane	41 Croydon SW	0.50		
01-2257 2400	1425	174-177 High Mallows Lane	42 Croydon SW	0.50		
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01-2257 2400	1425	174-177 High Mallows Lane	50 Croydon SW	0.50		
01-2257 2400	1425	174-177 High Mallows Lane	51 Croydon SW	0.50		
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LONDON SHARE SERVICE

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LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS—Cont. **DRAPERY & STORES—Cont.**

1966-67	1965-66	1964-65	1963-64	1962-63	1961-62	1960-61	1959-60	1958-59	1957-58	1956-57	1955-56	1954-55	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49	1947-48	1946-47	1945-46	1944-45	1943-44	1942-43	1941-42	1940-41	1939-40	1938-39	1937-38	1936-37	1935-36	1934-35	1933-34	1932-33	1931-32	1930-31	1929-30	1928-29	1927-28	1926-27	1925-26	1924-25	1923-24	1922-23	1921-22	1920-21	1919-20	1918-19	1917-18	1916-17	1915-16	1914-15	1913-14	1912-13	1911-12	1910-11	1909-10	1908-09	1907-08	1906-07	1905-06	1904-05	1903-04	1902-03	1901-02	1900-01	1899-00	1898-99	1897-98	1896-97	1895-96	1894-95	1893-94	1892-93	1891-92	1890-91	1889-90	1888-89	1887-88	1886-87	1885-86	1884-85	1883-84	1882-83	1881-82	1880-81	1879-80	1878-79	1877-78	1876-77	1875-76	1874-75	1873-74	1872-73	1871-72	1870-71	1869-70	1868-69	1867-68	1866-67	1865-66	1864-65	1863-64	1862-63	1861-62	1860-61	1859-60	1858-59	1857-58	1856-57	1855-56	1854-55	1853-54	1852-53	1851-52	1850-51	1849-50	1848-49	1847-48	1846-47	1845-46	1844-45	1843-44	1842-43	1841-42	1840-41	1839-40	1838-39	1837-38	1836-37	1835-36	1834-35	1833-34	1832-33	1831-32	1830-31	1829-30	1828-29	1827-28	1826-27	1825-26	1824-25	1823-24	1822-23	1821-22	1820-21	1819-20	1818-19	1817-18	1816-17	1815-16	1814-15	1813-14	1812-13	1811-12	1810-11	1809-10	1808-09	1807-08	1806-07	1805-06	1804-05	1803-04	1802-03	1801-02	1800-01	1799-00	1798-99	1797-98	1796-97	1795-96	1794-95	1793-94	1792-93	1791-92	1790-91	1789-90	1788-89	1787-88	1786-87	1785-86	1784-85	1783-84	1782-83	1781-82	1780-81	1779-80	1778-79	1777-78	1776-77	1775-76	1774-75	1773-74	1772-73	1771-72	1770-71	1769-70	1768-69	1767-68	1766-67	1765-66	1764-65	1763-64	1762-63	1761-62	1760-61	1759-60	1758-59	1757-58	1756-57	1755-56	1754-55	1753-54	1752-53	1751-52	1750-51	1749-50	1748-49	1747-48	1746-47	1745-46	1744-45	1743-44	1742-43	1741-42	1740-41	1739-40	1738-39	1737-38	1736-37	1735-36	1734-35	1733-34	1732-33	1731-32	1730-31	1729-30	1728-29	1727-28	1726-27	1725-26	1724-25	1723-24	1722-23	1721-22	1720-21	1719-20	1718-19	1717-18	1716-17	1715-16	1714-15	1713-14	1712-13	1711-12	1710-11	1709-10	1708-09	1707-08	1706-07	1705-06	1704-05	1703-04	1702-03	1701-02	1700-01	1699-00	1698-99	1697-98	1696-97	1695-96	1694-95	1693-94	1692-93	1691-92	1690-91	1689-90	1688-89	1687-88	1686-87	1685-86	1684-85	1683-84	1682-83	1681-82	1680-81	1679-80	1678-79	1677-78	1676-77	1675-76	1674-75	1673-74	1672-73	1671-72	1670-71	1669-70	1668-69	1667-68	1666-67	1665-66	1664-65	1663-64	1662-63	1661-62	1660-61	1659-60	1658-59	1657-58	1656-57	1655-56	1654-55	1653-54	1652-53	1651-52	1650-51	1649-50	1648-49	1647-48	1646-47	1645-46	1644-45	1643-44	1642-43	1641-42	1640-41	1639-40
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[illegible]

INDUSTRIALS - Continued										LEI	
1970	Low	Stock	Price	Div	Yld	P/E	1968/67	Low	Stock	Price	Div
130	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
131	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
132	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
133	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
134	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
135	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
136	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
137	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
138	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
139	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
140	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
141	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
142	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
143	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
144	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
145	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
146	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
147	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
148	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
149	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
150	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
151	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
152	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
153	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
154	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
155	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
156	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
157	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
158	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
159	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
160	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
161	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
162	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
163	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
164	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
165	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
166	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
167	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
168	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
169	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
170	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
171	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
172	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
173	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
174	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
175	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
176	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
177	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
178	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
179	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
180	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
181	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
182	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
183	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
184	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
185	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
186	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
187	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
188	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
189	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
190	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
191	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
192	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
193	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
194	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
195	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
196	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
197	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
198	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
199	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
200	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
201	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
202	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
203	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
204	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
205	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
206	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
207	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
208	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
209	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
210	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
211	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
212	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
213	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
214	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
215	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
216	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
217	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
218	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
219	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
220	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
221	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
222	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
223	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
224	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
225	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
226	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
227	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
228	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
229	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
230	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
231	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
232	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
233	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
234	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
235	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
236	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
237	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
238	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
239	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
240	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
241	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
242	81	McDonnell & Crane 100	126	1.00	4.7	13.0	154	97	12	126	1.00
243	81	McDonnell & Crane 100	126	1.00	4.7	13.					

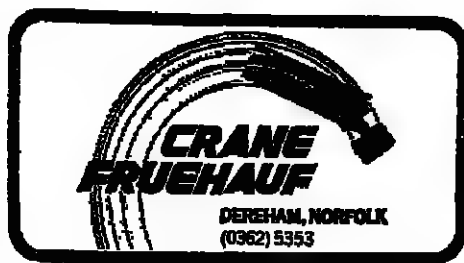
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INSURANCE		LEISURE							
283	176	Labov Life Ss	289	16	4.8	—	—	63	63
284	176	Do Linc. 100	290	16	4.8	—	—	115	115
285	176	Do Linc. 100	291	16	4.8	—	—	135	135
286	176	Allstate 40 DMSO	292	16	4.8	—	—	90	90
287	176	American Genl 100	293	16	4.8	—	—	30	30
288	176	Liberty, Bldg 100	294	16	4.8	—	—	310	310
289	176	Continental Group 50	295	16	4.8	—	—	200	200
290	176	Continental 100	296	16	4.8	—	—	110	110
291	176	Continental 100	297	16	4.8	—	—	200	200
292	176	Continental 100	298	16	4.8	—	—	200	200
293	176	Continental 100	299	16	4.8	—	—	200	200
294	176	Continental 100	300	16	4.8	—	—	200	200
295	176	Continental 100	301	16	4.8	—	—	200	200
296	176	Continental 100	302	16	4.8	—	—	200	200
297	176	Continental 100	303	16	4.8	—	—	200	200
298	176	Continental 100	304	16	4.8	—	—	200	200
299	176	Continental 100	305	16	4.8	—	—	200	200
300	176	Continental 100	306	16	4.8	—	—	200	200
301	176	Continental 100	307	16	4.8	—	—	200	200
302	176	Continental 100	308	16	4.8	—	—	200	200
303	176	Continental 100	309	16	4.8	—	—	200	200
304	176	Continental 100	310	16	4.8	—	—	200	200
305	176	Continental 100	311	16	4.8	—	—	200	200
306	176	Continental 100	312	16	4.8	—	—	200	200
307	176	Continental 100	313	16	4.8	—	—	200	200
308	176	Continental 100	314	16	4.8	—	—	200	200
309	176	Continental 100	315	16	4.8	—	—	200	200
310	176	Continental 100	316	16	4.8	—	—	200	200
311	176	Continental 100	317	16	4.8	—	—	200	200
312	176	Continental 100	318	16	4.8	—	—	200	200
313	176	Continental 100	319	16	4.8	—	—	200	200
314	176	Continental 100	320	16	4.8	—	—	200	200
315	176	Continental 100	321	16	4.8	—	—	200	200
316	176	Continental 100	322	16	4.8	—	—	200	200
317	176	Continental 100	323	16	4.8	—	—	200	200
318	176	Continental 100	324	16	4.8	—	—	200	200
319	176	Continental 100	325	16	4.8	—	—	200	200
320	176	Continental 100	326	16	4.8	—	—	200	200
321	176	Continental 100	327	16	4.8	—	—	200	200
322	176	Continental 100	328	16	4.8	—	—	200	200
323	176	Continental 100	329	16	4.8	—	—	200	200
324	176	Continental 100	330	16	4.8	—	—	200	200
325	176	Continental 100	331	16	4.8	—	—	200	200
326	176	Continental 100	332	16	4.8	—	—	200	200
327	176	Continental 100	333	16	4.8	—	—	200	200
328	176	Continental 100	334	16	4.8	—	—	200	200
329	176	Continental 100	335	16	4.8	—	—	200	200
330	1								

[illegible][illegible]

PLANTATIONS									
1966-67	High	Low	Black	White	Lat	Alt	Gr	Yrs	
29	42	38	Rubbers	Palm Oil	52	10	10	10	
30	42	38			52	10	10	10	
31	42	38			52	10	10	10	
32	42	38			52	10	10	10	
33	42	38			52	10	10	10	
34	42	38			52	10	10	10	
35	42	38			52	10	10	10	
36	42	38			52	10	10	10	
37	42	38			52	10	10	10	
38	42	38			52	10	10	10	
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FINANCIAL TIMES

Saturday March 14 1987



Thatcher confirms plan to appeal over Wright case

By Michael Cassell, Political Correspondent

THE Prime Minister yesterday confirmed that the Government intends to appeal against the New South Wales Supreme Court decision to permit publication of the memoirs of Mr Peter Wright, the former MI5 officer.

Mrs Thatcher restated the Government's determination to insist on the principle of life-long confidentiality for members of the security services and tried to play down the scale of the embarrassing court defeat.

Speaking during a visit to north Wales she said: "It is not a diabolical mess as some people describe it. There was a principle to uphold which was fundamental to our security service. You need a good security system. We are expecting to appeal against the judgment."

The determination to pursue an appeal, which will first go to the New South Wales Court of Appeals and could go on to the Australian Supreme Court in Canberra, comes despite misgivings among some Tory MPs about the advisability of prolonging the case.

They are unhappy at the mounting cost to taxpayers, already estimated at about £500,000, and at the potential for further self-inflicted wounds during a series of prolonged court hearings.

The Government, which has 28 days to lodge an appeal, came under pressure yesterday from Labour MPs to make an early statement about its intentions.

Mr Alan Williams, Shadow Deputy Leader of the House, said: "This decision actually declares the Government guilty of past failings to preserve the very secrets it is now suggested are essential for national security."

Labour intends to step up its attack on the Government's handling of the affair, concentrating on the failure to take earlier action against Mr Wright and on alleged inconsistencies in the treatment of former security service personnel.

The Opposition is calling for a statement on Monday, before a formal Government decision to appeal is announced. Sir Michael Evers, the Attorney-General, who has just returned to work after a recent bout of ill-health, is due to face his regular Commons question-time on Monday.

It is not clear if Sir Michael will, by then, be in a position to make an announcement, although a statement is expected next week.

In another twist to the continuing controversy surrounding the British intelligence services, Mrs Thatcher yesterday rejected allegations that the late Mr Graham Mitchell, the deputy director general of MI5 between 1957 and 1963, was a Russian agent.

The allegation is contained in a book by Mr Nigel West, the pen-name of Mr Rupert Allason, a Tory candidate for Torbay. Mrs Thatcher said in a written Commons reply that Mr Mitchell had been "thoroughly and objectively" investigated and he had been cleared.

The Prime Minister said she deplored the publication of such allegations against people who could not defend themselves.

Background, Page 4

Liverpool crisis meeting planned

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MR NICHOLAS RIDLEY, Environment Secretary, and Dr Rhodes Boyson, Local Government Minister, are to meet a delegation from Liverpool next week to discuss the city's financial crisis.

The meeting was agreed in principle yesterday as the Liberal-SDP Alliance took over running the problem-hit city after the disqualification from office of most of the city council's ruling Labour group.

It will probably take place after Wednesday's adjournment debate in the Commons on Liverpool. The city's deputisation is likely to include the Rt Rev David Sheppard, Bishop of Liverpool, and Archbishop Mgr Derek Worlock, his Roman Catholic counterpart, as well as business, community, and political leaders.

On Thursday the Prime Minister rejected suggestions that she should meet a delegation from Liverpool.

The Alliance immediately told chief officers to reassess their authority over council employees — largely undermined during the past four

years by militant and hard-left shop stewards.

All stickers and advertising of a political nature have been ordered to be removed from council property. Officers have been told that all employees must work for the council only in working hours, and not carry out political activities.

The Alliance is also taking immediate action to cut bureaucracy and make services more manageable. Under Labour, there were 15 main committees and 62 sub-committees — "a bureaucratic nonsense based on jobs for the boys," Sir Trevor Jones, the new council leader, said.

At the same time, Sir Trevor has asked all senior council officers to work through the weekend digging out the financial facts about the city's crisis. At present it is unclear whether Liverpool will need special financial help.

It may be weeks before the full financial facts are established. Labour councillors had been running the city's finances virtually in secret for several months, presenting only the

harest information to council meetings. In the past few days they signed £25m of contracts to build council houses, even though there is believed to be only £5m available in the capital budget to pay for them.

In Whitehall, it has been suggested that options might include a judicial review of the council house contracts to get them quashed. Mr David Alton, Liberal chief whip and MP for the Liverpool constituency of Mossley Hill, said yesterday one option might be one-off Government help toward clearing loans of the City of £30m each from a Swiss and a Japanese bank.

These were 10-year deferred purchase schemes that balanced the books during the last two financial years and allowed Labour's council house programme to proceed on a "build now, pay later" basis.

Other government funds will be available, however, simply as a result of Liverpool's abandoning the old council's refusal to contemplate joint approaches to housing, industrial development and social problems with bodies it could not control, such as co-

operatives, and parts of the private and voluntary sectors. The result was that several million pounds of urban funds were withheld.

A further option would be to increase council house rents, which the Labour council had refused to do. Sir Trevor said a 5 per cent rise forced through by Labour two weeks ago would still give the city a budget of at least £306m.

During the next few weeks, Liverpool will be run via an emergency committee of 15 Alliance members, four Labour and two Conservatives.

The first thing the ramp council of 37 Alliance, 12 Labour and seven Conservatives has to do when it assembles on Tuesday is elect a chairman, a position traditionally filled by the Lord Mayor until Labour abolished the office four years ago.

The Liberals will nominate Sir Trevor's wife, Councillor Doreen Jones, as caretaker Lord Mayor and council chairman until a new, full council decides what to do after elections and by-elections on May 7.

Sterling falls ahead of Budget after week of violent swings

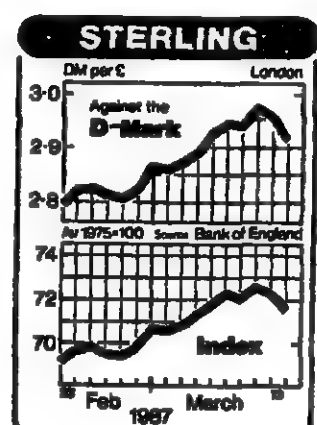
BY JANET BUSH

STERLING ended a hectic week yesterday around its lowest levels for some days as speculators took the precaution of trimming back their positions before Tuesday's Budget.

It was a week of violent swings and large flows across the foreign exchanges. Sterling was highlighted and rose sharply early in the week, as investors committed substantial funds to the UK government bond market in spite of the Bank of England's move to sanction a half-point cut in base lending rates on Monday.

By the end of the week, however, there was a growing feeling that sterling had risen too far and too rapidly and the inter-bank market took its profits.

It was a measure of the vulnerability of sterling at the week's highs that the profit-taking was triggered by unfounded rumours that Mr Nigel Lawson, the Chancellor, would announce on Tuesday that Britain was taking sterling into the European Monetary System.



until the contents of the Chancellor's speech were known. Some of the speculative money which poured into the pound earlier this week has now been removed, but overseas investors who bought gilt-edged stock are likely to hold on to sterling for the time being. This should underpin the currency.

In London, the pound ended yesterday at \$1.575 against Thursday's closing \$1.588 and dropped to DM 2.9175 after closing previously at DM 2.9550. The Bank of England's trade weighted sterling index ended at 71.6, unchanged from its opening yesterday but well below Thursday's closing 72.3.

UK government bonds ended an extremely busy week, which saw prices rally and then plunge, with equal rapidity, only about a point higher than last Friday's close.

British equities had a rather dull week in comparison and the FT-SE 100 index showed a mere 1.9 gain over the week. It ended yesterday 10.3 higher at exactly 2,000.

Money markets, Page 13

Citicorp may downgrade Brazil loans

By James Suchan in New York

CITICORP, THE world's largest banking group, warned yesterday that it may have to start making provisions from reported earnings against \$3.9bn (£2.48bn) of loans to Brazil, which last month froze interest payments on its foreign bank debt.

The announcement from Brazil's largest bank creditor that it may downgrade most of its Brazilian debt — by putting it on a so-called "cash accrual" basis — is bound to put pressure on the other main US bank creditors to follow suit. Chase Manhattan, the second largest US creditor with \$2.8bn outstanding, said it would make disclosures about its Brazilian loans next week.

However, Wall Street stock market analysts said that the Citicorp announcement, made in a routine filing with the Securities and Exchange Commission, had been on the cards since February 20 when Brazil said it would stop servicing some \$67bn in medium- and long-term international bank borrowings.

Under US accounting practice, a loan must be declared non-performing and loss reserves must be provided once interest is 90 days overdue. Although Citicorp said the decision might cost it about \$190m in earnings this year, or about 20 per cent of last year's \$1.06bn earnings, its share price fell by only \$1 to \$51 in early trading yesterday. The stock has fallen by some \$8 since February 19.

Citicorp has \$4.6bn in loans outstanding to Brazil and will be leading negotiations between bank creditors and the Brazilian authorities. The "suspension of interest payments is expected to persist through the period of negotiations. This action and future circumstances may require Citicorp to place \$3.9bn of intermediate and long-term Brazilian loans on a cash basis."

Placing the loans on a cash accrual basis means that Citicorp will no longer book interest payments when they are due but will wait until they arrive. This would reduce after-tax profits by about \$50m in the first quarter of this year, and by \$190m for the full year. These sums include interest accrued last year but never collected. However, Citicorp said it would not take the decision until the end of the first quarter.

There was some speculation that Citicorp, which has been building loss reserves against its developing country debt, was attempting to put pressure on Brazil in the negotiations by showing its readiness to accept lower profits.

However, other Wall Street analysts pointed out that Citicorp would eventually have to classify the loans as non-performing.

Starting date for Rent Act changes

MR JOHN PATTEN, Minister for Housing, has announced that two measures to stimulate private renting, recently approved by Parliament, will come into effect on May 4.

The Rent (Relief from Phasing) Order 1987 abolishes the arrangement under which regulated rent increases for regulated tenants are phased in over two years. In future, when the rent officer agrees an increased rent the landlord will be able to charge the new rent in full immediately.

The protected Shorthold Tenancies (Rent Registration) Order 1987 ends the compulsory registration of rents on short-term tenancies in Greater London. This brings London into line with the rest of the country.

Top Thorn EMI man resigns on rift with senior managers

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

MR IVOR OWEN, chairman of Thorn EMI's appliances and lighting division, resigned yesterday in a move which puts a question mark over the future of the group's hard-pressed refrigerator activities.

Although Thorn would not comment on the decision, which came after a disagreement with senior management on the future of the division, Mr Owen's departure was widely seen as an indication of the depth of the problems affecting the group's domestic appliance activities. These embrace brands such as Tricity, Bendix and Parkinson Cowan.

In spite of a dominant position in the UK market for electric and gas cookers, Thorn is

making only minimal profits in the division as a whole. It has made no secret of its disenchantment with the results of its refrigerator interests.

Mr Owen recently prepared a plan advocating heavy investment across a large part of the appliance division. He argued that this was necessary because of increasing competition and to overcome inefficiencies resulting from inadequate capital spending over the last few years.

When this plan was rejected by senior management, he decided to go. He said last night: "We were not in agreement on the policies of how to tackle the complex and varied problem which affect the business."

A further review of the division is now being conducted by Mr Colin Southgate, Thorn's managing director. A full range of options is likely to be on the table, including divestment of parts or the whole of the domestic appliance activities, or a reorganisation focusing more closely on the stronger parts of the division.

Mr Southgate's intervention follows an extensive shake-out at Thorn EMI, one of Britain's leading consumer electrical companies, in the last 18 months. In this period it has sold its film and cinema activities, divested part of its holdings in Thames Television, sold various engineering companies and cut the heavy losses in its losses semiconductor plant.

City analysts believe it is unlikely Thorn will retreat entirely from the domestic appliance business, which generates a turnover of about £200m and employs almost 5,000.

It is felt that, in the cooking appliances area in particular, Thorn has a strong base on which to build.

It has a market share of between 25 per cent in its gas range and 35 per cent in electrical products and has just brought a £10m electric cooker plant on stream near Durham. It should benefit from the market trend towards a mixture of gas and electricity power sources.

Liberal Continued from Page 1

to put the Conservatives ahead and an election in the early summer has not been ruled out.

The Truro result provides another important boost to the Alliance's national standing. Mr David Steel, Liberal leader, said at Westminster: "This is a much greater triumph than we ever hoped for. Truro has delivered a vote of confidence in the Alliance style of politics."

"I believe it will make Mrs Thatcher more cautious about

going into a general election but her responsibility now is to name the day. The current atmosphere of uncertainty and speculation is damaging for the economy and for the country."

Mr Neil Kinnock, Labour leader, congratulated Mr King for increasing his party's share of the vote and Mr Gerald Kaufman, shadow Home Secretary, said the result was "a modest encouragement to the Labour party and a kick in the pants for the Government."

KNP lifts profits by 13%

KNP, the Dutch paper group, boosted profits by 13 per cent to £132.6m (£65m) in 1986 from £117.3m in spite of flat revenue.

Per share net income edged up to £1.16 from £1.15 due to an increase of more than 11 per cent in the number of shares outstanding, the company

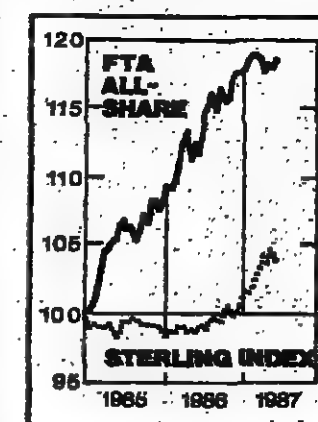
said. Turnover remained unchanged at £1.16bn on account of lower selling prices depressed in part by the weaker dollar. Profit margins widened on the better product mix and lower costs, especially for energy.

KNP raised its 1986 dividend by £1.05 to £1.50.

THE LEX COLUMN

Screens go blank for Midland

Index rose 5.9 to 1583.9



Last week Midland Bank became the only clearer to announce a significant profit in its investment banking division. However, that was only achieved by lumping Big Bang activities in with the very lucrative treasury business. If Midland wanted to hide something, the deception has proved remarkably short-lived. Yesterday it wound up its equity market-making operations, after they recorded losses of at least £3m a month. It may seem harsh to close down any business so rapidly, but after its agonies with Crocker, no management at Midland was ever likely to err on the side of over-indulgence with loss-makers. And Midland has less financial elbow room than any of the other clearers to permit the injection of new capital into the securities business.

Yet this is not a matter of a good long term plan being blighted by short term financial expediency. Midland's strategy of going for volume by executing all deals on a net, rather than agency basis, meant that it was market share driven in an oversupplied market — not a recipe for success. It now intends to perform a complete about turn, and follow the successful James Capel strategy of becoming purely an agency broker with no equity market making. It is open to doubt whether, after this shattering blow to morale, Midland will be able to retain — let alone attract — the quality of analysts required to make such a policy work. It is also deeply ironic, as only last week Midland was telling anyone who would listen that James Capel's approach ran counter to the reciprocity required in the financial markets, which demands that all participants be price givers, as well as price takers.

Not that Midland is alone in reconsidering the wisdom of such principles. This week both Robert Fleming and Barclays de Zoete Wedd quietly withdrew from market making in selected sectors. Perhaps bank finance directors are starting to ask awkward questions in the trading rooms.

True, exporting against an appreciating currency is hard work, and those companies which depend heavily on sales abroad met by UK production will have a tougher time. Jaguar is an obvious loser. But, according to Phillips & Drew, only 9 per cent of industrial profits come from exports. And it takes a long time for adjustments to be made on pricing, so the odd daily move in the currency should not affect exporters, until such moves turn into a trend. As for the translation of overseas profits, which are 36 per cent of industrial profits, as long as companies are not dependent on bringing cash home to pay the dividend or debt interest, the effect is really optical. It may depress

earnings per share, and hence raise multiples, but then this market has managed to convince itself that p/e's do not matter so much. And in the long term the companies ought to be better off for having operations in wider markets.

What the stockmarket sometimes forgets is that a rising currency is likely to draw in investment from abroad — either from UK fund managers taking profits on international share holdings and reinvesting at home, or foreign investors coming into the market looking for currency as well as capital gains. James Capel has calculated that while the market has risen by 466 per cent since 1969, the gain translated into yen is only 62 per cent, because of sterling's chronic weakness. To foreign investors a strengthening currency is a sign of an improving economy, likely to be accompanied by falling interest rates, and so a good place to put their money. If Tuesday's Budget encourages expectations of a Tory election victory, foreigners are likely to buy the pound, gilt-edged stocks and equities. And Japanese investors, who book their bargains after their financial year ends this month, will have a full year for their purchases to perform.

Equities

One of the equity market's most ingrained reflexes, displayed daily over the last week, is that of marking shares down when the pound goes up and vice versa. A rising pound is bad for companies, the argument runs, because it is harder to export and profits made overseas are lower when translated back into sterling. Like most knee-jerk reactions there is not a lot of brain work in this analysis.

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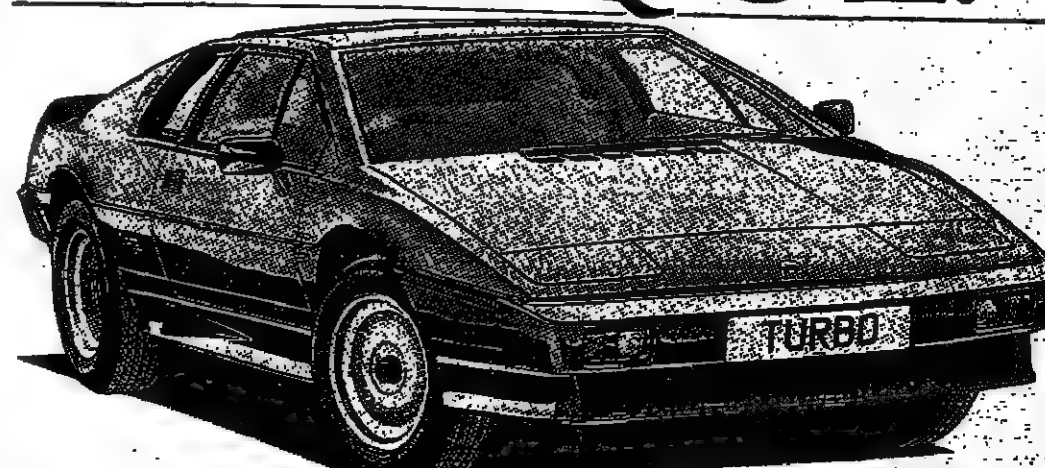
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Trading floor

The threat by the New York Stock Exchange to ban its member firms from trading on the London Stock Exchange during New York trading hours was self-evidently absurd. So it is little wonder that, after being the recipient of a few days' sustained ridicule, New York has decided to retreat. The point, if there was one, was that by declaring that it was to close down its trading floor, London could no longer be recognised as an exchange under NYSE rules. In fact the floor had already become deserted, and the London authorities were just recognising a fait accompli.

Yet perhaps the London exchange should have performed the courtesy of informing its opposite number on the other side of the pond, so as to give it time to come up with a more measured reaction. Then, if New York had still insisted that rules are rules, London could have met the minimum requirement by cordoning off an area in the lobby of the Stock Exchange Tower and calling that the trading floor.

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مكازم الأخبار

WEEKEND FT

Saturday March 14 1987

MARKETS • FINANCE & THE FAMILY • PROPERTY • TRAVEL • MOTORING • DIVERSIONS • HOW TO SPEND IT • BOOKS • ARTS • TV

The mystery of the economist

Antoin E. Murphy relates the intriguing life of Richard Cantillon, one of the greatest economists of the 18th century

FEW ECONOMISTS have been accused of attempted murder; even fewer—although, no doubt, many recipients of their forecasts may have wished it upon them—have been murdered. Richard Cantillon apparently achieved this double, being accused in the French courts of conspiring to assassinate a certain Christopher Balfie, and then seemingly being murdered by his French cook in his home in Albemarle Street, London, on May 14, 1734.

Despite a colourful career and a more than mysterious, if not sensational, demise, Richard Cantillon is not a name familiar to the public—unlike a Smith, a Malthus, a Ricardo or a Keynes. Yet, to historians of economic thought he is regarded as one of the three great economists of the 18th century, ranking alongside Adam Smith and the Frenchman, François Quesnay.

Cantillon, however, has a great deal more to offer to the modern reader than his place in textbooks on the history of economic thought. His one known work, *The Essay on the Nature of Trade in General*, might be interpreted as a precursor to the development of modern monetarism. In it, the role of markets and the entrepreneur are examined, the influence of the

Essay, although it never explicitly mentions Law nor the Mississippi System, can at one level be interpreted as an intellectual riposte to Law's pre-Keynesianism. In order to interpret Cantillon's work at this level, it is necessary to describe in some detail his career as a banker and entrepreneur.

Cantillon was born in Ballyronan, county Kerry, sometime in the 1680s. When he arrived in Paris at the start of the 18th century "without any shoes," Cantillon the economist was able to link up with his relatives' banking network. He took out French citizenship in 1708 but then, paradoxically, went to help the English forces fighting the French in Spain during the War of the Spanish Succession (although, by the time of his arrival there in 1711, hostilities had effectively ended). Cantillon acted as a type of accountant, working on behalf of James Brydges, the Paymaster General to the Forces Abroad.

Brydges, who later became Lord Carnarvon, and still later the Duke of Chandos, was perhaps the greatest war profiteer of the 18th century, raking in a fortune estimated at between £500,000 and £700,000 during his eight years as Paymaster-General. As an accountant and deputy paymaster in the field for the London-based Brydges, Cantillon acquired a great deal of knowledge on the official and "extra-curricular" monetary transactions of the Paymaster-General.

Offered a position in London by Brydges, Cantillon opted instead to return to Paris in 1714 in order to take over his Chevalier cousin's banking business. France had been virtually bankrupted by Louis XIV's bellicosity and profligacy, so that surviving as a banker in Paris at this time required considerable ingenuity and skill. Within a year of his return, Cantillon was able to discount a bill of exchange amounting to £20,000 for Bollingbroke, then in hasty exile in Paris from the Whig administration.

On the death of Louis XIV in 1715, Philip, Duke of Orleans, assumed the sovereign's power as Regent during the minority of the future Louis XV. Faced with an extremely difficult financial situation, the duke was attracted to some of the financial proposals which Law had been presenting to various French ministers of finance from as early as 1702.

Following the model of the South Sea Company, which had been founded in 1711, Law established a company which acquired trading and mineral rights to the French territory of Louisiana—a land mass equivalent to half of the US today (excluding Alaska). Transactors were able to purchase shares in this company, which later came to be known as the Mississippi Company, by subscribing 75 per cent of the issue price in short-term government securities and 25 per cent in specie.

As such, the company's objectives were twofold: first, to develop the trading potential of French Louisiana and, second, to fund into lower interest-bearing



A print depicting the fall of 1720: the South Sea Company started a bull market riddled with insider trading

ing debt part of the French government's floating debt.

In 1718, Cantillon was introduced to Law. By November of that year, he had established a company (along with Law and Joseph Gage) to send a team of people to colonise a tract of land in Louisiana. Cantillon's brother, Bernard, successfully led this team from La Rochelle to Louisiana in 1719. By August 1719, the shares of the Mississippi Company had risen from an effective low of around 150 livres on issue in 1717 to more than 2,000.

But Cantillon felt the Mississippi System was overheating, cashed in some of his shares, and left for Italy having made a profit of £50,000. Cantillon's belief in the imminent collapse of the system proved wrong. Between August 1719 and February 1720, when he returned to Paris, Mississippi continued to rise, moving up to over 10,000 livres.

Although Cantillon had in 1719 over-anticipated the collapse of Law's System, he was convinced by the spring of 1720 that this was imminent. He recognised that the French exchange rate would have to collapse. Accordingly, he took a strong foreign exchange position against the French currency, remitting the equivalent of some £250,000 sterling from Paris to London and Amsterdam.

Law learnt of the extent of Cantillon's foreign exchange operations and threatened him with incarceration in the Bastille if he did not leave France. Cantillon did, and started trading in the incipient boom of South Sea stock in both London and Amsterdam. In May of 1720, Law recognised the inconsistency in his policy objectives and attempted to defuse the excessive pressures that had built up in it. His policy failed; and from May 21 Mississippi shares,

banknotes and the French exchange rate came under increasing pressure.

Faced with the collapse of the system, Law, recognising Cantillon's financial talents, attempted to inveigle him back to France by offering to make him his deputy in managing the national finances. Cantillon, by this point a multi-millionaire, refused the offer, which would have produced the interesting combination of a Scotsman and an Irishman managing the French economy! During the autumn of 1720 he remained in Amsterdam, taking a bear option position in South Sea stock.

In 1722, the French attempted to levy a retrospective tax on the "actionnaires," millionnaires et autres Mississippiens. Cantillon was estimated to have made 20

Having made his fortune he was unable to enjoy it fully as he became embroiled in a web of litigation

million livres (£630,000 at the current exchange rate) and a tax of 2.4 million livres was imposed on him. He stayed away from France until 1727 in an attempt to avoid this; however, having made his fortune, he was unable to enjoy it fully as he immediately became embroiled in a web of litigation which was to last from 1721 till his demise in 1734. Cantillon's main antagonists were Gage and Lady Mary Herbert, along with her father, the Duke of Powis, and her brother, Lord Montgomery. Gage and Lady Mary (satirised by Pope in

The *Epistle to Bathurst* about their thirst for riches) were bankrupted by the collapse of the Mississippi System. Cantillon had been one of the many bankers who lent them money to buy shares. They contended that he had immediately sold the shares they lodged with his bank as collateral for the money they borrowed and so, effectively, was leading them into their own money and charging them interest on it.

They pursued their claims in the English and French courts at both the civil and criminal level. Through their agent, a lame Dublin apothecary called Christopher Balfie, they had Cantillon arrested and temporarily imprisoned (for a matter of hours only) on two occasions in 1728 and 1729. Balfie added to the charges, contending that Cantillon attempted to bribe him initially and that, having failed, he hired some thugs to assassinate him. Cantillon denied these charges and, through his contacts in Dublin, learnt that Balfie had a wife there. As Balfie had also married in France, Cantillon arranged to have a charge of bigamy brought.

While Cantillon was involved in this intense litigation, as well as in other litigation with Law and his brother, William, he found time to write the *Essay*.

In Cartesian style, Cantillon attempted to strip the economy down into its essential components. This initially involved considering a centralised barter economy. Then, by degrees, the centralised system of control is replaced by a market system where entrepreneurs act as catalysts behind exchange and production. Cantillon shows how entrepreneurs who face uncertainty are central to market processes—unfortunately, his emphasis on the role of the entrepreneur was later obscured by Smithian references to "the invisible hand." To

Cantillon, the entrepreneur was a highly visible agent co-ordinating market activity.

Building on this analysis, Cantillon became the first economist to show the circular flow of income. The objective behind this analysis was to determine the quantity of money necessary to facilitate the circular flow of income, output and spending. Cantillon recognised that money was necessary to facilitate the production and exchange of goods and services, but he also recognised that the money supply could be excessively expanded.

Having slowly assembled, stage by stage, an economic model which showed the nature of the market mechanism, and the role of money in an economy trading with other countries, Cantillon then tested this model to determine if it was capable of accepting the type of macroeconomic intervention which Law had applied to the French economy. He examined policies involving exchange control regulations, manipulations of the exchange rate, and open market operations (increasing the money supply to lower the interest rate) in order to determine if they were capable of raising economic activity. These were the very type of policies which Law had attempted to implement in France; Cantillon concluded that they could not be successful. Law was not to read Cantillon's views, for he died in Venice in 1734 and the *Essay* was not published till 1755.

Cantillon was seemingly a prolific writer on economic issues, but his other writings seem to have been burnt in the fire that engulfed his home after his murder in Albemarle St in 1734. However, not all the papers relating to him were destroyed. In January 1735, a certain Chevalier de Louvigny arrived in Paramaribo in the Dutch colony of Surinam. Laden with arms and golden guineas, the Chevalier attracted the attention of the Dutch authorities. The Chevalier proved to be an elusive character, however, although soldiers sent to locate him did find documents he had buried. All related to Richard Cantillon.

The discovery raises an interesting problem relating to the identification of the mysterious Chevalier de Louvigny. Was he the French cook, one Joseph Denier, whom the English authorities wished to arrest for the murder of Cantillon? But if he was Cantillon's murderer, why did he transport across the Atlantic and through the jungles of Surinam such a wide range of incriminating documents relating to the man he had killed?

There is an alternative possibility. Cantillon still faced criminal charges which Balfie was persistently pressing on behalf of Gage. In a letter to one of his friends, Cantillon despaired of ever ending these long legal processes. The day before he died he withdrew a large sum of money, reportedly £10,000, from his bank. The body engulfed in the flames in Albemarle St was burned beyond recognition, and contradictory accounts of the state of the corpse, the head of which was covered in night clothes before the fire, were given by the servants and passers-by. Was the corpse really that of Cantillon, or did he arrange his own demise from European society?

● This article is derived from Antoin E. Murphy's *Richard Cantillon: Entrepreneur and Economist* (Oxford University Press) published this week at £25.

The Long View

Why Britain should keep its appeal

IT WAS bound to happen and it has: at the first sign of faltering in the bull market, we are seeing some gloomy circulars again. They are not all gloomy, which is perhaps bad news—if they were, then you could be sure that the market was now discounting its own euphoria, and could only rise further. They also make a reasoned case. A market pushed along by a credit boom is always inherently vulnerable.

The point is put most directly by Tin Congdon, the unrepentant monetarist who watches the market for Messels. The dividend yield on the FT All-Share Index is now below 3½ per cent, and the last time it was as low as that was in January 1973, at the height of the Barber boom. What followed, of course, was an inflationary explosion, and the heaviest fall in the equity market since 1929—in fact, it was a good deal worse.

This is all perfectly true—but in my mind it is also totally misleading. To save you any anguish, let us list the striking differences between now and 1973 before we get to the possible similarities.

● The whole world economy was overheating in 1973, and was rising commodity prices were rising steeply, leading to the Opec price explosion at the end of the year. Enough said.

● In Britain, rapid inflation was being partly concealed by a misguided incomes policy.

● The over-expansion of credit in this country was being led by government borrowing and by commercial property developers: this time round, consumers are making the running.

Congdon's points, in fact, apply to the US than they do to Britain. There, the Federal Government is in seemingly inescapable deficit, and the curable sector has been borrowing quite recklessly in finance

The height of the index is giving some pundits vertigo; but the strength of the economy suggests that although we might be near the ceiling, the floor should not be too painfully far below

takeovers and buy-outs, thereby pumping money into the equity market.

In the past two years, £156bn has been used to buy-in and extinguish equity, which goes a long way to explain the rise of the Dow; and the whole economy—the corporate sector, the banks, consumers and the government—might be in dire trouble if income fell or interest rates rose. The easy escape



route from this kind of situation is simply to print enough money to keep the economy afloat and interest rates tolerable—in other words, to inflate your way out.

The consumer borrowing boom in this country poses quite a different problem. On the whole, private people know how much debt they can afford to service; indeed, the US story illustrates this. The main

reason why the US economy is very flat for the time being is that consumers have satiated their appetite for debt. Only the cut-price credit offers from the US car manufacturers can now breathe a little glow into the ashes every two or three months.

The exception to this rule is where consumer credit is used to finance speculation. This is not what is happening in the stock market, in my view; but it almost certainly is happening on a worrying scale in the house market, especially round London. Chancellor Nigel Lawson could easily make matters a little worse in his Budget on Tuesday: I hope he won't.

Of course, it is not only domestic credit which can inflate financial bubbles; and the warriers can make a more plausible case by pointing out that the whole world financial boom is credit-inflated.

It is American over-borrowing and its counterpart, Asian over-saving, which is generating these enormous financial flows, and the Tokyo stock market is the clearest evidence that money can make investors mad.

However, there is no sign at all that these flows are likely to abate in the near future. On the contrary, the politicians are changing course with all the enthusiasm of a man in a dream—one of those dreams where you are swimming in treacle. As long as Asian savers have such huge funds to invest, Britain will look like an attractive place to put them.

This is the really radical change since 1973, and it is not much connected with the fact that British interest rates are so high compared with any other respectable country. When British consumers get tired of taking on more instalments, perhaps the gap will be allowed to close.

It is the British industrial scene which has changed almost out of recognition. Multinational companies are now moving their operations into this country, instead of moving out. They explain their choice in words which I had given up any hope of hearing back in the 1970s: high quality standards, co-operative trade unions, computer literacy.

This might well go down in the history books as the Thatcher revolution, but she should not be allowed to hog the credit. The democratisation of the trade unions, and the shift in the balance of legal power, were deliberate Thatcher achievements, but for the rest we have a mixture of legacies and accidents.

The educational policies which have produced some good results were initiated before she came along, and only now is there a renewed drive to get the kind of changes the former Prime Minister, James Callaghan, was discussing a decade ago. Our prospects more than a few years ahead may well depend on Baker and his successors.

Perhaps the most important achievement, however, was an accident. Mrs T. never meant to push the private sector to the very brink of bankruptcy in 1980, and it was abstaining as much as anything which inspired her to leave companies to work out their own salvation afterwards.

It worked, though. Defeat seems to provoke economic miracles, and we had in effect lost the war by other means. That is why the British economy should still look a good place to invest even after the financial bubble bursts; it is a recovery stock on a national scale and, as every investor knows, recovery stocks are the least risky holding in an inflated market.

CONTENTS

Arts: The state of avant-garde theatre	XVII
Books: V. S. Naipaul goes to grass	XVI
Diversions: All about tents	XV
Motoring: Best tyre since radials	XIII
Sport: The Cheltenham Festival	XVIII
Travel: See Venice and sigh	XIII

Arts	XVII	Finance and Family	IV/VIII	XI	Sport	XVIII
Books	XVI	Food	XII	Stock Markets	II	
Bridge	XIII	Gardening	XIII	New York	III	
Chess	XVII	Motoring	XIII	Travel	XIII	
Crossword	XIV/XV	Property	IX, X	Wine	XV	

If you're about to invest in a pension plan make sure it's the best on the market.

ALLIED DUNBAR Managed Fund	STANDARD LIFE With Profits	FRIENDS PROVIDENT With Profits	ALBANY LIFE Multiple Fund	EQUITABLE With Profits	TARGET Managed Fund
\$13,739	\$11,603	\$15,230	\$15,788	\$16,145	\$24,668

Value of Pension Fund over 10 years to 1st September 1986

Assumes 10 annual payments of £500. Amount invested (allowing for tax relief at 30%)

Target leads head and shoulders above all rivals in the pensions field.

The Times, Saturday 25th January 1986. Money Magazine, October 1986.

If you're self-employed or the director of a private company, you'll know all about the tax advantages of investing in a pension plan.

Your biggest problem will be selecting the best from the rest. Obviously, the most important factor will be the size of your pension fund when you eventually retire.

Induced the best performing contract in the survey was linked to Target's Managed Fund.

The Daily Telegraph, Saturday 21st December 1986. Money Magazine, February 1986.

All too often, this decision is taken as a result of comparing projected growth figures, whereas the only realistic basis for comparison is past performance. The table above compares the actual results of an investment in the Target Personal Pension Plan—linked to the Target Managed Fund—with three leading with profits policies and two other unit linked plans invested in managed funds.

UNIT TRUSTS • LIFE ASSURANCE • PENSIONS • FINANCIAL MANAGEMENT

Please let me have further details of the Target Pension Plan. FT 14/3

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I'VE A HUNCH this market will run as far as the Budget, speculated one old hand, a few weeks ago. "After that, I just wouldn't like to say." A common enough sentiment in the Square Mile during the past month—and on the first score, at least, ominously accurate.

True, the market took a knock in the first half of last week when interest rates dominated the picture. Dealers, having suspected that the Bank of England would be unable to prevent a cut in base rates until Budget Day, were promptly disappointed when only half a percentage point was shaved away on Monday and no more before next week clearly signalled.

With many institutional investors on the pre-Budget sidelines and Wall Street in sharp retreat, the FT-100 Share tumbled 24.5 points, wiping around £4bn off the market's capitalisation. The pound showed no signs of easing back and export stocks—like ICL, BAT and Glaxo—bore the brunt of the downturn.

Over on the gilt desks, life was no happier. Longes lost up to £15 as the Bank of England unveiled a surprise £1bn tap. A week earlier, a similar-sized issue sold out on the first day of dealing, and everyone had assumed there was no more in the pipeline.

But by Wednesday, with the pound still firm, the Bank's dampeners evaporated; the new tap stock sold out and the yield

Pre-Budget wobble

on high coupon bonds dipped to under 9.2 per cent.

Come Thursday and Friday, the equity market had also recovered its pre-Budget scent and hopes of tax and interest rates cuts plus a subsequent boost to consumer spending, drove the Foolsie index back to exactly 2,000 by Friday's close.

Housebuilders, like Barratt whose figures are out next week, made the most of mortgage rates hopes; the prediction is a post-Budget cut of 0.75-1 per cent. News of the green light for Sizewell B, the £1.5bn nuclear station in Suffolk, also pushed up shares for a heap of potential beneficiaries—notably Babcock, Weir, Hopkinsons, and Whesoo.

Certainly, there was plenty on the company news front to underpin the bullish sentiments. BTR, which last month walked away from a potential £1.2bn bid battle with Pilkington, came in some £20m or so ahead of expectations on Wednesday when it reported a 40 per cent pre-tax profit advance to £505m during 1986. The market quickly realised that it hadn't really got its sums wrong—there was the benefit of a £17m pension reduction (against £3m previously). By Friday morn-

ing, the shares were sitting at 338p unchanged on the week.

Still, the company sounded cheerful enough, talking of further improvements in Europe and the East though of flatter demand in the States. Debt, too, dropped significantly over the year, gearing now stands at 27 per cent compared with 68 per cent a year ago—or 18 per cent if conversion of BTR's convertible issues is allowed for. That should hold back the current year's interest charge and if current estimates of £605m for 1987 are anywhere near the mark, the prospective PE is 13.5—which for a company with BTR's management calibre does not look expensive.

Hilldown Holdings, the food, stationary and furniture group, also reporting mid-week, ran into inevitable profit-taking. Despite the 64 per cent pre-tax profit advance to £54.9m, some £2m ahead of many forecasts, and 33 per cent jump in earnings per share—the shares shaded 9p to 271p—having stood at 220p barely a month ago. For all its 40-odd acquisitions last year, Hilldown says these chipped in just £4m at the pre-tax level, and the pre-interest profit advance on organic activities was almost 40 per cent.

The encouraging feature about Hilldown is that the current year's growth path is clearly visible—even before allowing for future acquisitions. Sales of today's group are around £2.5bn—against last year's £1.7bn—and the push into higher-margin processed foods, and more in-house packaging and distribution is only just underway. Analysts are currently suggesting a pre-tax

London

total of £90m-£92m in 1987, which—with the tax charge likely to remain under 20 per cent—suggests a prospective PE of around 15. No snip, but a more justified rally.

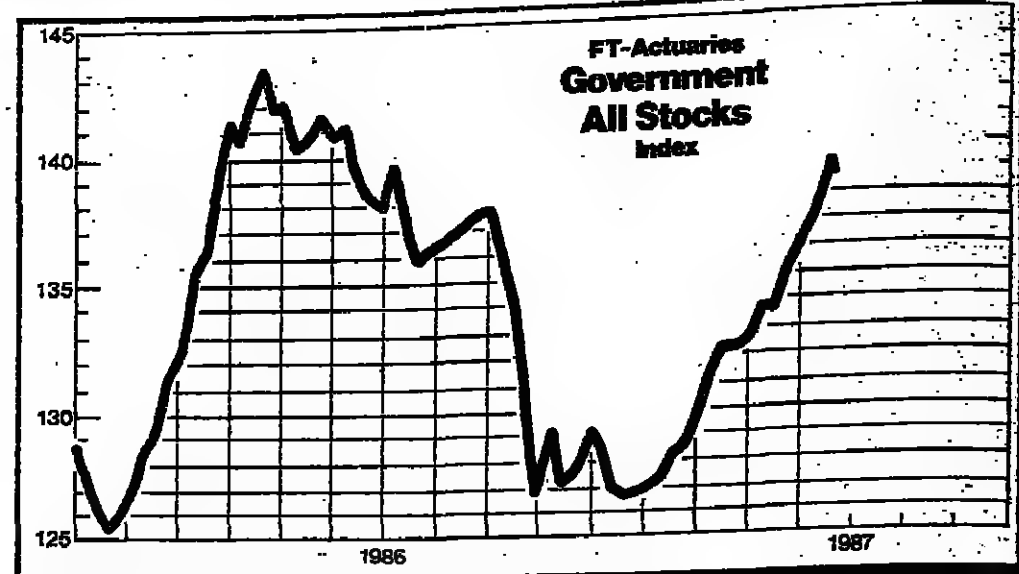
mailed the snacks and sweets group, bought for \$330m last August.

That left analysts hoping that the company may finally be shifting from its three year earnings plateau, and that £10m-plus before tax could be on the cards—a figure the company says it has no quarrel with. If so, the shares are on a prospective PE of 12, that seems about right, but little cause for excitement.

Sentiment later in the week was also helped by the absence of anyone following Ladbroke down the rights issue path. The big question-mark had been Next, the fashion retailer—but instead there was news of £30.12m pre-tax in the five months to January, against £12.4m in the equivalent period a year ago. Although the figures are complicated by the inclusion of mail order business Gratten, that was good enough to push the shares 23p higher at 321p.

Over on the recently-subdued big brockery, a sudden flurry of activity to a sudden flurry of activity. To a family (around 26 per cent) and by funds managed by Cazenove, the company's brokers, the terms put Hillards on an exit PE of 23, but thoughts that Tesco may have to go higher lifted Hillards shares to 321p by Friday morning—a near 100p gain on the week.

Most analysts reckon the deal makes sense—Hillards is already following a larger store, own-label strategy which would



dovetail with Tesco and be speeded by the larger chain's resources. Tesco immediately snapped up a 4.2 per cent stake in its target, but it faces chunky holdings by the board and family (around 26 per cent) and by funds managed by Cazenove, the company's brokers. The terms put Hillards on an exit PE of 23, but thoughts that Tesco may have to go higher lifted Hillards shares to 321p by Friday morning—a near 100p gain on the week.

Woolworth, too, hit the take-over trail—just a week after its talks with Underwoods ran into difficulties. This time, its aspirations were more modest: the group struck a £19m agreed deal for Charlie Browns, the car part centres group which only came to the USM in 1985. The company's 40 centres will complement Woolies' existing Autocentre business, run within the B&Q chain.

By Friday, they stood at 290p against 324p a week ago. Which may be a salutary lesson ahead of next Tuesday. The one warning universally sounded last week was that market levels after this run leave little scope for disappointment. Or, as BZW—quoting T. S. Eliot—put it: "However certain our expectation, the moment foreseen may be unexpected when it arrives." But the quote's original—Maurice in the Cathedral—is no portent.

Nikki Tart

HIGHLIGHTS OF THE WEEK

	Price	Change	1986-87	1986-87	
	5 day	on week	high	low	
FT Ordinary Index	1,583.9	-17.5	1,613.5	1,094.3	Drifts as interest switches to Gilts
Abbott Mead Vickers	338	+36	340	201	Good results/further organic growth
Barham Group	166	-38	300	111	Bid talks terminated
Blue Circle	748	+30	756	536	Adelaide Steamship stake sold
Boots	295	-28	324	209	Uninspiring meeting with analysts
British Benzol	94	+19	94	46	Takeover speculation
BPOC	369	+37	368	201	Broker's meeting inspires demand
Brown (C.) Car Parts	312	+42	313	115	Agreed bid from Woolworth
Central TV	863	+94	863	212	Share stake
Centrovital Estates	275	+42	278	168	Bid approach
Collins (Wm.) A	810	+95	810	288	Good results/further growth possible
Hillards	322	+99	323	162	Bid from Tesco
Miller (S.)	63	+10	77	23	Speculative buying
Noreros	382	+70	382	187	Williams Holdings bid hopes
Pantherella	185	+37	188	116	Agreed offer from GUS
Parker Knoll A	592	+55	595	246	Good preliminary figures
Ransomes Sims	268	+40	271	115	Persistent demand on bid hopes
Stat-Plus	580	+125	580	190	Good preliminary figures
Tyne Tees TV A	494	+127	498	140	Good annual results
Union Discount	878	+98	880	615	O'neal investor acquires near 5% stake

Britoil puzzles City

THE CITY awaits BRITOL's results on Thursday with more anxiety than it does ENTERPRISE, out on the same day. Enterprise is the market's favourite oil independent: it was the only one to hold its interim dividend, and analysts are confident of a maintained final.

Its results should be a fairly straightforward affair, down from £82m to about £20m as a result of the fall in the oil price. The ICI deal was not clinched until this year, and so will not affect the figures.

Britoil is another matter altogether. The City cannot decide whether it will cut its dividend by as little as a quarter, or by as much as half. Its net income is also difficult to forecast, as it will include an uncertain amount of exploration write-offs (perhaps more than £100m); severance payments against the heavy redundancies made last year; and perhaps a large write-down of

its US assets, which are now up for sale. About £50m after tax is the City's best guess.

UNITED BISCUITS' preliminary results on Wednesday are expected to show pre-tax profits of £125m compared with £102.2m in 1985.

Activities in the US were helped by an easing of the cookie wars and contributions from acquisitions. In Britain, UB Biscuits—the group's largest division—grew steadily and was in recovery in the frozen food business.

On the minus side, Wimpy and Pizzaland restaurants were

Results due next week

hit by the fall in American tourists last summer and competition from Pizza Hut. Increased tax and equity in issue mean analysts expect earnings per share little changed at about 20p compared with 19.1p in 1985.

Full-year profit estimates for FEARSON, which reports on Monday, have crept downward as evidence mounted of the effect of the lower oil price and strength of sterling. Camco, the 65.4 per cent-owned oil services subsidiary, gave a pointer last month with a 72 per cent fall in dollar-denominated profits.

Fine china, centred on Royal Doulton, will be only slightly ahead, if at all. It had barely recovered from absent US tourists when the pound's rise began to cloud the export outlook, and not only in North America.

Against this, information and entertainment including the Financial Times) and merchant banking (Lazard's) should be bound ahead to raise the pre-tax total to £115m, 5 per cent above £109.3m in 1985 but £5m below prospects only a few months ago.

For merchant bank MORGAN GRENFELL, 1986 was not the most glorious of years. Prospects looked bright enough when the company floated on the Stock Exchange in July; but then came the Guinness

scandal and the laying off of insider trading charges against Geoffrey Collier, Morgan's former securities director.

Guinness and Collier will not work wonders for Morgan's performance this year, but the uncovering of the affairs happened too late for any loss of confidence to affect the 1986 preliminary results due on Wednesday.

The City is expecting the 1986 pre-tax profits of £85.9m to be increased to about £93m last year. That, however, is rather less of a rise than was expected at the time of the flotation. The main culprit was a falling-off in the number of contested takeovers at the back end of the year.

LEGAL & GENERAL, the second-largest life office in the UK, is expected to produce net profits of £49m, up from £36.2m last year, when it reports preliminary results for 1986 on Thursday.

With about one-third of the group's business related to life policies plus mortgages, and the rest mainly pensions, L&G should be showing strong gains arising from last year's house-buying boom. Its linking of mortgage finance with a national network of estate agents through the Home Move service is part of a planned general expansion into financial services.

Because margins were tight, pension management looks to have made only slim pickings from the £2.1bn in funds it controls. Nonetheless, L&G is expected to have come out ahead of the life pack with earnings per share up 36 per cent against forecasts of 25 per cent for the sector as a whole.

TURNER & NEWALL's bid for AE went unconditional on December 5, 1986, so the impact of acquisition accounting will have little effect on T&N's results to December 31, particularly as the three weeks included the Christmas shut-down.

T&N made no profits forecast during the course of the bids for AE, other than saying they would be ahead of 1985, but analysts are expecting the group to produce around £45m pre-tax on Wednesday against £39.6m in 1985.

COMPANY NEWS SUMMARY TAKE-OVER BIDS AND MERGERS

Company	Value of bid per share**	Market price**	Price of bid before bid	Value of bid after bid	Bidder
Prices in pence unless otherwise indicated.					
Ang Nordic Hldgs	311	284	231	2.88	Smith (F. L.)
Arclife Hldgs	75	58	98	3.75	Govett Strat Int
Avana Group	768	724	430	268.18	RHM
Baker Perkins	351	355	355	140.18	APV
Barrow Hepburn	822	79	42	27.25	BTP
Barrow Hepburn	77	70	72	24.42	Tale Catto
Berisford	173	178	137	9.59	Ferguson Ind
Brown (C.)	316	313	270	18.96	Woolworth
Burns Anderson	115	141	—	23.64	Dudley
Chambers Phillips	130	130	130	47.23	Wardle Storeys
Datamerv	183	180	200	60.13	Bell South Corp
Debron Invest	72	69	40	17.06	Interface Overseas
A. J. Security	165	167	91	6.72	Britannic Security
Exco Int'l	325	333	203	760.90	Brit & Comm
Europ Ferriest	148	145	231	342.89	F & U
Feb Int'l A	178	174	108	3.08	Tarmac
Feb Int'l A	131	118	78	6.18	Tarmac
Fothergill Hrvy	312	311	178	39.15	Courtauld
Grosvenor Group	125	125	120	7.79	BBA Group
Grosvenor Group	351	351	125	8.41	MoHs
Hera	70	59	82	2.04	Warren Lambert
Higgin & Job	200	255	300	1.94	Fraser (Robert)
Hillards	330	322	233	157.95	Tesco
Home Farm	182	185	133	8.99	Sutherland (E. T.)
Hvrd & Wyndham	18	15	30	3.28	Intermediate Soc
Imp Cont Gas	700	718	655	995.00	SHV
Imp Cont Gas	710	719	710	1.01m	Transatlantic
Jacobson Int'l	428	470	250	8.50	Anglo Ind A/S
Land & Nubn Gp	31	31	71	2.01	Demerger Two
Land Park Hotels	809	789	700	40.58	Mount Charlotte
Mitchell Somers	203	193	221	32.72	Eagle Trust
Municipal Props	534	525	224	16.78	Mervale Moore
Natwide Leisure	77	74	77	4.29	Inspeck E. & G. Rpt
Nottingham Brick	398	381	382	43.66	Marley
Pantherella	308	196	188	8.20	Gri Universal Str
Pearlman	171	201	170	35.98	Newman-Tanks
Saracota Tech	171	169	169	30.18	Pack Hldgs
Tonby	378	272	217	49.10	Emess Lighting
Thermax	182	200	173	21.18	Herwood Wms
Trade Prom Serv	270	262	251	15.74	EMAP
Western Bros	167	163	173	1.98	RMC

All cash offer. * Cash alternative. * Partial bid. * For capital not already held. * Unconditional. * Based on 2.30 pm prices 13/3/87. * At suspension. * 1/2 Shares and cash. * Related to NAV to be determined. * Loan stock. * Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)	Earnings* per share	Dividends* per share
Abbott Mead	Dec	3,100 (2,300)	14.8 (10.8)	3.5 (1.5)
Alliance Tel	Jan	19,430 (16,480)	—	—
Ansbacher H.	Dec	5,500 (2,700)	—	2.0 (0.9)
Appleyard	Dec	2,600 (1,950)	28.2 (21.6)	7.0 (3.9)
Antofagasta	Dec	9,100 (7,500)	29.7 (27.0)	7.2 (5.6)
Antler	Jan	871 (733)	9.8 (7.3)	2.0 (—)
Barclays Dev	Dec	10,900 (4,900)	—	—
BBA Group	Dec	26,600 (13,000)	10.3 (5.1)	2.5 (2.0)
Beckson Clark	Dec	1,270 (1,180)	—	8.5 (7.5)
Bedford W	Dec	730 (935)	10.2 (11.9)	4.5 (4.5)
Beacons Crisp	Nov	420 (294)	—	5.3 (2.8)
Bluebird Toys	Dec	1,740 (1,270)	18.1 (12.8)	4.8 (3.6)
Bremner	Jan	111 (421)	—	—
British Vita	Dec	19,770 (12,230)	23.3 (15.7)	6.4 (4.7)
BTX	Dec	805,000 (392,000)	21.8 (10.6)	8.2 (5.8)
Cables Holding	Dec	3,610 (2,720)	5.0 (4.4)	2.4 (2.2)
Cement-Roadstone	Dec	32,300 (35,000)	12.1 (9.3)	3.7 (3.2)
Collins W	Dec	15,830 (13,100)	22.6 (26.1)	9.2 (7.7)
Cranbrook Elec	Sept	361L (475)	—	—
Edinburgh Fund	Jan	5,750 (4,120)	24.8 (18.8)	8.0 (5.0)
Euro Home	Dec	4,800 (949)	14.2 (3.8)	2.5 (—)
Federated Hsing	Dec	2,520 (1,480)	16.7 (9.5)	4.0 (3.3)
GKN	Dec	132,400 (132,100)	28.5 (26.6)	13.0 (12.4)
Greggs	Dec	42,000 (35,000)	27.4 (22.1)	10.1 (8.0)
Hampden Home	Dec	1,020 (780)	15.7 (14.0)	5.7 (4.3)
Hewitt J.	Dec	1,320 (642)	25.5 (11.4)	5.0 (—)
Libermann Group	Dec	7,650 (4,700)	8.4 (7.0)	3.6 (—)
Hilldown	Dec	54,900 (17,000)	16.3 (12.2)	3.8 (2.1)
Laidlaw Thomson	Dec	897 (788)	10.3 (8.4)	4.2 (3.7)
Lambert Howarth	Dec	17,110 (12,320)	24.1 (19.9)	7.0 (5.7)
Low & Bonar	Nov	1,120 (1,120)	19.8 (17.1)	5.2 (4.7)
New Dairies	Jan	138 (138)	—	—
Owners Abroad	Oct	5,190 (3,810)	3.5 (1.5)	0.7 (0.6)
Penton	Dec	5,000 (2,970)	7.7 (6.1)	0.9 (0.7)
Perstimon	Dec	9,100 (3,920)	28.2 (17.1)	6.3 (5.2)
Phicom	Dec	804 (2,110)	—	0.5 (1.1)
Ran. Sims & Jeff	Dec	787 (1,200)	21.3 (16.1)	6.0 (5.0)
Rivlin	Dec	7,050 (2,350)	25.7 (9.3)	0.2 (—)
Robinson T.	Jan	84,000 (79,000)	25.0 (24.8)	13.5 (12.1)
Rowntree Mack	Dec	2,730 (1,530)	24.0 (12.5)	5.0 (3.0)
Stat-Plus	Dec	7,320 (2,200)	10.8 (7.0)	3.0 (2.3)
Sharpe & Fisher	Dec	1,220 (3,770)	—	—
Stockley	Dec	4,210 (3,190)	14.1 (9.3)	3.5 (3.0)
T & S Stores	Dec	2,210 (71,600)	—	—
Tyne Tees	Dec	2,210 (71,600)	—	—
Ultramar	Dec	6,450 (3,720)	13.7 (9.0)	2.5 (—)
Wicks	Dec	2,250 (532)	15.5 (1.7)	8.0 (—)
Wills Group	Dec	1,150 (1,140)	8.1 (7.8)	3.0 (2.5)
Woodhouse & Rix	Dec	1,250 (1,200)	—	—
World of Leather	Dec	1,250 (1,200)	—	—

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)	Interim dividends* per share (p)
Altwoods	Jan	4,580 (2,760)	1.5 (1.2)
Bejaume	Jan	11,640 (9,130)	2.3 (2.0)
British Car Anc	Jan	7,870 (4,770)	2.0 (1.5)
British Telecom	Dec	506,000 (452,000)	—
Bryant Holdings	Nov	11,710 (6,120)	1.5 (1.2)
Common Bros	Dec	387 (830)	—
Continental Micro	Dec	370 (134)	2.2 (1.0)
Imtec	Sept	549L (991)	—
Leisure Invest	Dec	497 (244)	—
Lysander Pet	Sept	1,180 (865)	—
Miller & Santhe	Dec	261 (120)	—
Lechell Cotts	Dec	1,180 (2,500)	0.7 (—)
Macklow A. & J.	Dec	2,780 (2,640)	2.5 (2.4)
Oceanic Cons	Jan	30,120 (12,400)	1.5 (1.3)
Parker Knoll	Sept	77 (120)	—
Precious Metals	Jan	2,810 (2,260)	5.0 (4.0)
Prestwich	Jan	79 (71)	—
Reliable Prop	Dec	2,750 (3,060)	0.4 (0.3)
Sanwick	Dec	621 (262)	2.2 (1.2)
Scott & Fisher	Jan	1,000 (535)	1.5 (1.3)
Janetris	Dec	2,610 (2,110)	3.5 (3.0)
Afford Park	Dec	1,190L (688)	—
Colseley	Jan	1,300 (1,280)	4.0 (4.0)
	Jan	32,100 (16,960)	4.2 (3.5)

MARKETS

When the Dow rings

WALL STREET bulls spent much of the week building their strength for the long-awaited charge through the 2300 level on the Dow Jones industrial average, which has risen by a fifth in the first 10 weeks of 1987.

By Thursday evening the broader-based Standard & Poor's 500 index had set a new high, boosting the stock market's price earnings multiple to 19.5 times historic earnings, and reducing the average yield to 2.94 per cent, but many of the traditionalists still do not believe that the stock market is at an all time high until the Dow rings the bell.

To complicate matters, the technicians at Dow Jones chose this week to make a couple of rare changes to the Dow's exclusive membership list. Out went Inco, one of the original members of the Dow, and Owens-Illinois, and in came Boeing and Coca-Cola, two of America's best-known "blue-chips". Unfortunately the share prices of both the new boys dropped the day after they were selected to join the club while Inco's shares rose.

The past and current membership list of the Dow Jones 30-share average, the most famous Wall Street barometer for both big and small investors, is well worth occasional study. It provides a salutary reminder of the dangers of buying a famous "blue-chip" stock and forgetting to check how it is doing over the years. Many of yesterday's "blue chips" stock and forgetting to check how it is doing over the

years. Many of yesterday's "blue chips" are today's "fallen angels." Whatever happened to such pillars of the Dow as Victor Talking Machine, Paramount Public and Postum? Paramount Public was displaced by Loew's Corporation, which was in turn replaced by International Paper. Victor Talking Machine was dropped in favour of National Cash Register, which was subsequently replaced by International Business Machines. A few years later it was dropped in favour of the fast growing AT & T and it took "big blue" another 40 years to regain its membership which it did at the

Wall Street

expense of Chrysler Corporation which ran into a little financial difficulty in the late 1970's.

Over the past 25 years the Dow has recruited eight new members. In addition to IBM and this week's new recruits, the others are 3M, Merck, American Express, McDonald's and Philip Morris. Some of the founding members of the Dow Jones industrial average, which was first published in the Wall Street Journal on October 1, 1928—a year before "the great crash"—are still around.

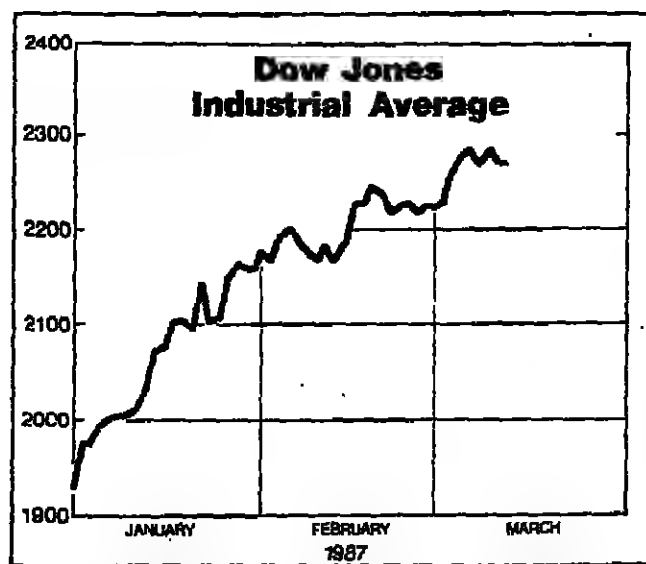
Indeed, investors who stuck with the likes of General Electric and Standard Oil of New Jersey (Exxon) will have done well but some of the others such as Bethlehem Steel, International Harvester (now

known as Navistar), Sears Roebuck and Woolworth have had a struggle to show decent investment returns over the years.

Even investors who bought shares in IBM over the past couple of years have missed out completely on one of the most dramatic advances in the stock market. At the end of 1984 the Dow was hovering around the 1200 level and IBM was trading at \$123. Today, the Dow has put on more than 1000 points and IBM shares, which have had a good run over the past few weeks, are trading at \$144. If IBM had done no more than keep pace with the rise in the Dow (and most investors expect it to do considerably better) then IBM shares should be trading around the \$230 level.

Several more of the founding members of the Dow Jones industrial average, such as USX (Ex-US Steel), and Union Carbide, have attracted the attention of corporate raiders and even a giant like General Motors has come under fire by an increasingly restive investment community which would prefer the company to give its shareholders some of the billions of dollars it has been throwing into new plants and equipment in a desperate attempt to defeat its Japanese competitors.

Boeing and Coca-Cola are two big success stories in a US business world which has been battered by overseas competition. Both have been able to conquer the international market-place and become world



leaders in their respective fields. But fifty years ago they were probably saying the same sort of thing about Bethlehem Steel and Wright Aeronautical.

A case in point is Chrysler Corporation, the third biggest car manufacturer, whose ebullient chairman, Lee Iacocca, has dismissed any intention of running for president of the US, and is instead working hard to restore Chrysler to its former glory. It would really make his day if Chrysler were to be picked to replace General Motors.

For the second week running Chrysler's name has been in the headlines. The previous week it announced a stock split and increased its dividend and this week it disclosed that it was spending up to \$1.5bn to buy American Motors Corporation, a struggling rival which is largely owned by France's Renault and makes the best-selling Jeep.

Chrysler's move was applauded by the stock market which sent the company's shares to a new peak of \$55. The shares started the year at \$37 and have been as low as \$2.50 within the past five years. By contrast General Motors' shares have only traded in a range of \$38 to \$34 over the past five years and have only risen by \$12 to \$78 since the start of the year.

Chrysler also made the news in another way this week by revealing that its pension fund was going to sell \$1bn of its \$3.5bn bond portfolio and invest the money in the stock market. The company's money managers are convinced that the equity market has a lot more upside potential than the stock market.

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FRIDAY

William Hall

Echoes of last August

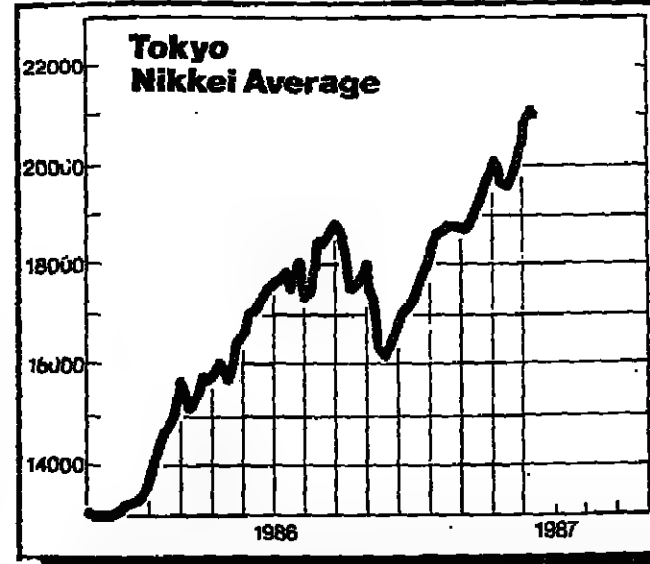
EXTRAORDINARILY high volume trading has returned to the Tokyo stock market for the first time since last August. It has come together with the unusual phenomenon of daily or even hourly changes in the popularity of various share groups.

We are just going round and round," one analyst said yesterday, emphasising the difficulty of keeping up with the rapidly shifting emphasis from financial to engineering to property to AIDS-related shares and back to financials again.

As in August, the authorities have been warning leading brokers lately about excessive speculative activity, and have even taken some action to damp down trading, such as the tightening of margin requirements and a clampdown on the Tokkin trust funds.

At first hearing, some analysts winced at these developments. They remember that the frenzied trading activity of August led the authorities to rap some knuckles and there followed a sharp drop in both volumes and values in October.

However, the analysts then shrugged their shoulders, pointing out that the market quickly recovered from its autumn slump and has since surged ahead to new records.



So far, though, the authorities' attempts to dampen the market have had no noticeable effect. The Nikkei stock average of 225 leading issues on the Tokyo stock exchange has advanced on nine of the last 10 days, setting new records on many of them. It closed yesterday at 21,497.95, another record, and 15 per cent higher than it was at the turn of year.

Volume this week averaged 1.4m shares a day, and on Wednesday exceeded 2.1m shares, nearly as much as the record 2.3m one day last August. The emergence of Nippon Telegraph and Telephone shares, which made a spectacular market debut last month, among the market leaders has probably prevented the volume figures from going higher. At ¥2.9m each, NTT shares are much heavier than the average share price of roughly ¥1,000 on the Tokyo market.

It is very hard to see where the supply of stock is coming from that would keep the market from going up," says Andrew Smithers of the British stockbrokers S. G. Warburg. Warburg remains fundamentally bullish about the Tokyo market, but has recently been showing signs of impatience.

The active involvement of individual investors in increasingly speculative AIDS "incentives" is suggestive of a deterioration in the quality in the market," the group complained in its market report last week.

That may be so, but those who have become actively involved in AIDS-related shares—and Japanese investors have found dozens of them—have done rather well. Among the recent performers, Japan Synthetic Rubber, which is said to be building an immune laboratory, opened this week at ¥450 and only 828,000 shares changed hands on Monday.

UBE Industries, a cement and plastics company which is said to have an interest in the development of a drug for fight-

ing AIDS, has seen its shares go from ¥235 to ¥385 in the past two weeks on often massive volume.

But the star performer of the past month has without doubt been NTT. At an issue price of ¥1,19m, the shares were launched on a price-earnings ratio of something over 100, but confounded sceptics by quickly doubling in value. They have remained at about ¥2.9m for much of this week despite active trading.

It is because foreign investors have not been allowed to buy them," said one foreign banker in Tokyo this week, although it is difficult to see how anyone could have dampened Japanese investors' enthusiasm for this issue.

So far, the market as a whole has not been daunted by rising

Tokyo

unemployment, declining manufacturing activity, or the government's troubles with its budget and tax reform proposals. But some retail shares have suffered in the past few months. For example, shares of Marui, a leading department store group, were ¥2,650 yesterday compared with a peak of ¥2,970 last August. Daiso, the largest supermarket operator, was only ¥1,440 yesterday, compared with a 1986 peak of ¥1,800.

No-one would be surprised if there were a more general downturn in the market in the next few weeks, not so much because of economic factors, but because many companies are approaching their fiscal year-end and so will be less interested in share trading for a while. But once the 1986-R books are cleared away, the inevitable upward push is expected to return.

Ian Rodger

Squeezes put metals at a premium

IT IS common knowledge that the world metals markets are depressed. With industrial growth sluggish, interest rates high, and production capacity in most cases, far in excess of demand, how could they be otherwise?

With an irony typical of the commodities markets, however, this very situation has brought about supply squeezes which have pushed cash prices to premiums against forward positions instead of the normal discounts—on all but one of the London Metals Exchange's (LME) base metals markets.

Holding physical metal is an expensive business. There is no dividend yield and storage, handling and insurance charges have to be met. So, a purchaser of a forward position, who will pay only about 10 per cent up front, would normally expect to pay a premium, known as a "contango," equivalent to these costs, plus the interest he is accumulating while the rest of

the purchase price remains in his account. With cash copper at about \$900 a tonne, this would amount to rather more than \$20 a tonne for the three-month delivery position.

However, instead of paying a premium he has this week been receiving a discount of up to £18 a tonne. This is known as a "backwardation," because it is the reverse of the normal situation.

A backwardation arises when supplies available for immediate delivery are below, or uncomfortably close to, the level of demand.

To discover how the metals markets come to be in this situation, at a time when consumption is far from buoyant and mine and smelter capacity is more than adequate, it is necessary to look back into the

previous decade. Then, production and prices were rising, metal users and traders were building up stock levels, and producers were encouraged to bring new capacity on stream.

When the uptrend went into reverse at the start of the 1980s, users began to unload their excess stocks. And, safe in the

Resources

knowledge that plentiful supplies were on tap should they be needed, they allowed stocks to sink to very low levels. With interest rates remaining stubbornly high, it made sense to let the mining companies carry the stocks.

Exceptionally low stock levels mean, however, that the market

is exceptionally vulnerable to short-term supply squeezes, such as those being experienced at the moment.

The copper market's present squeeze results chiefly from the after-effects of the protracted strike at Noranda's Horne smelter, near Quebec, which ended at the beginning of January. At the same time, there has been something of a surge in US demand, and inadequate supplies at home have sent North American users foraging across the Atlantic for metal. This has been reflected in a dramatic fall in stocks held in LME-registered warehouses.

Over the past four weeks, LME stocks have fallen by 41,300 tonnes to just below 136,000 tonnes, and traders expect a further reduction to be

announced on Monday.

The growing interest in options trading on the LME has also played a part in widening the backwardation. A "call" (buy) option gives the holder the right (but not the obligation) to buy at a predetermined price on a certain date.

The recent rise in copper prices, particularly in dollar terms, has put many options scheduled for settlement late in March and late April "in the money," forcing granters to cover their obligations on the market.

The Grade A copper settlement price on the LME official ring yesterday was \$299 a tonne. Although this was only £18 up from the level two weeks earlier, the dollar's weakness means that the US equivalent is a rise of nearly \$70.

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W.H. Smith Do It All	SOLD	40,000	£210,000	£3.5m
Stork Babywear		15,000	£75,000	£1.25m
Jolly Giant		14,000	£70,000	£1.167m
Times Furnishings		14,000	£75,000	£1.25m
Under Offer		40,000	£200,000	£3.33m
Queensway		40,000	£180,000	£3m
Boots (Childrens World)		30,000	£150,000	£2.5m
Harcourt		10,000	£60,000	£1m
British Shoe Corp.	SOLD	7,000	£42,000	£.76m
Carpetland		10,000	£50,000	£.95m
Dining Room Centre		10,000	£60,000	£1m
Virgin Records	SOLD	6,300	£37,800	£.687m
ELS	SOLD	30,000	£150,000	£2.5m
Bejam	SOLD	10,000	£60,000	£1m
Texas Homecare	SOLD	45,000	£225,000	£3.75m
MFI		50,000	£200,000	£3.64m
Allied Carpets		30,000	£120,000	£2.18m
World of Leather		15,000	£75,000	£1.25m
Poundstretcher		10,000	£50,000	£.95m
Comet		10,000	£50,000	£.95m

Tenant		Size (Sq.Ft.)	Rental	Price
Texas Homecare	SOLD	45,000	£225,000	£3.75m
Queensway	SOLD	40,000	£180,000	£3m
British Shoe Corp.	SOLD	7,000	£42,000	£.76m
Comet		10,000	£60,000	£1m
Carpetland		10,000	£50,000	£.95m
Under Offer		10,000	£60,000	£1m
MFI		52,000	£234,000	£3.9m
Allied Carpets		30,000	£135,000	£2.25m
World of Leather		12,500	£62,500	£1.042m
Poundstretcher		10,000	£50,000	£.95m
Under Offer		10,000	£60,000	£1m
Stork Babywear		15,000	£75,000	£1.25m
ELS		40,000	£200,000	£3.33m
Magnet & Southern		30,000	£150,000	£2.5m
Jolly Giant		15,000	£75,000	£1.25m
Times Furnishings	SOLD	15,000	£75,000	£1.25m
Halfords	SOLD	15,000	£75,000	£1.25m

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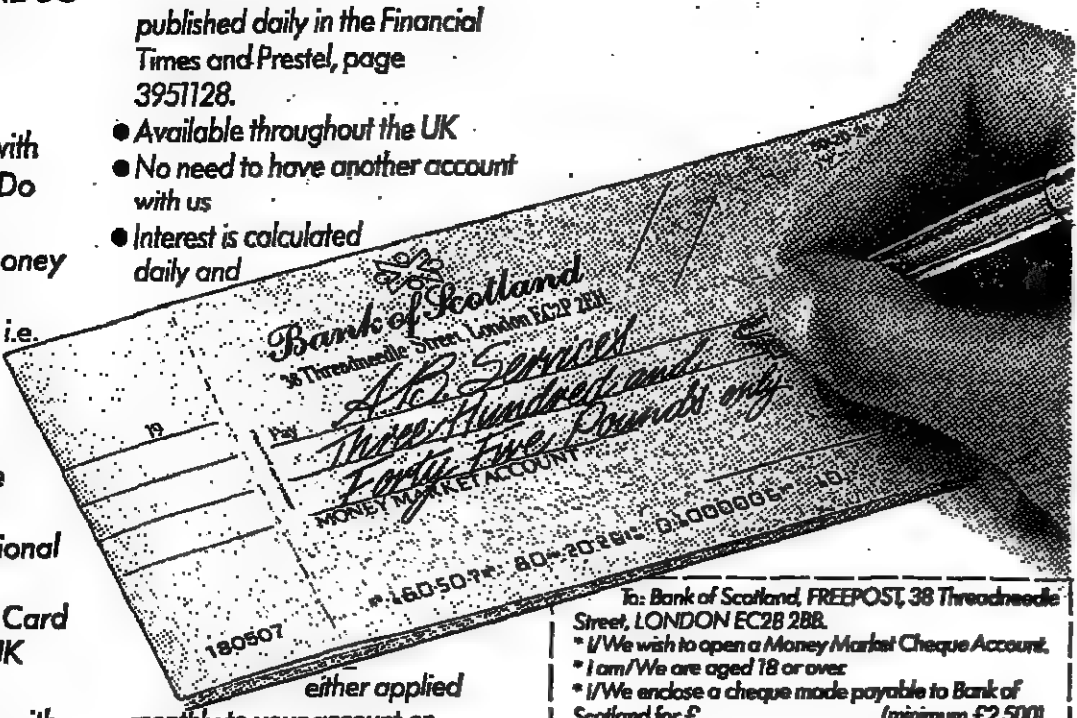
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BANK OF SCOTLAND
A FRIEND FOR LIFE

John Edwards examines what the Chancellor might have in store Lawson's road to reform

THE BUDGET next Tuesday could be something special. The Chancellor has more money to give away (or, some would say, give back) than for a long time. And with a general election looming there is an additional incentive to relieve the tax burden and devise new ways of wooing votes.

Given Nigel Lawson's wish to be known as a reforming Chancellor, he might well be tempted to take the opportunity (in what will possibly be his last Budget) to introduce some radical changes. So what are the main subjects likely to be worth looking out for?

First, the possibility of income tax changes. The Chancellor may decide to take another step—or go the whole way—towards reaching his stated target of reducing the minimum standard tax rate from its present level of 29 per cent to 25 per cent.

Capital gains tax may be abolished, revised or simplified. It is a complicated tax at present, bringing in little revenue but causing an immense amount of work. If CGT is retained, the annual exemption will probably be increased from its present level of £5,300. But "bed and breakfast" of building society share accounts—to take advantage of the indexation allowances—might be disallowed.

Mortgage tax relief: There are all kinds of possibilities. The existing "ceiling" of £30,000, qualifying for relief, could be increased to £35,000 or £50,000. But this may be offset by restricting the relief solely to the standard rate of

tax. Also the Chancellor may revive his idea of giving only one mortgage relief allowance per home. This would end the existing anomaly where a married couple is at a disadvantage, permitted to claim only one relief, where an unmarried couple living together may claim two. It seems unlikely that the Chancellor will bow to pressure for mortgage tax relief to be scrapped altogether, bearing in mind the forthcoming election and Mrs Thatcher's public pledge that no government of hers would do so. Simply leaving the limit at £30,000 for another year would be seen, however, as an indirect means of phasing it out by reducing its importance.

Stamp duty may also be reviewed. The rise in the value of many houses has brought a big increase. Scrapping the duty on share transactions could be seen as a means of encouraging wider share ownership. (It may be politically impossible this year, however, in view of the cloud hanging over the City of London's affairs.)

Personal Equity Plans (PEPs). The Chancellor recently said he was satisfied with the "success" of the PEP scheme, so he is unlikely to yield to pressure that the scheme should be radically altered to give greater tax incentives to investors. There may be some fine tuning. (For example, an increase in the current maximum of £2,400 that can be invested annually, to over £3,000—or more.)

It seems unlikely at this stage that Lawson will listen to pleas for a greater proportion of the total to be invested in unit and investment trusts, but he might be able to remove some of the restrictions that put up the costs of administering the scheme. Confining tax relief only to the standard rate of tax does not appear likely: it would not encourage the smaller investor, merely discourage the richer one.

Wider share ownership might also be encouraged by new schemes to encourage employees to acquire more shares in the companies they work for.

Lawson will also be anticipating that the rate of inflation will be cut short by lower interest rates, bringing a cut in the cost of mortgages. The extent of any reduction in interest rates depends on the reaction in the City as to whether Lawson has produced an election-winning Budget. But with heavy pressure already being exerted for another cut in base rates, it appears almost a certainty that interest rates will fall further after the Budget.

Getting the facts... fast

A COMPUTER disk that will give you an instant assessment of how you will be affected by changes announced in the Budget is being produced by Deloitte Haskins and Sells, the accountants.

It will be available the morning after the Budget, programmed to take Chancellor Lawson's proposals, and the effect they

will have on an individual's financial circumstances, into account. All you do is feed in your personal details; the disk will tell you gains and losses resulting from the Budget, and what action you should take, if any.

The disk, which costs £5, can only be used on IBM personal computers or compatibles.

Why National Savings suspended its 32nd issue certificates Just too much of a bargain

NATIONAL SAVINGS, the Government's retail funding agency, moved with surprising speed to suspend sales this week of its 32nd issue certificates, following the reduction in the bank base rate.

The 32nd issue of National Savings certificates, introduced last November, offered a guaranteed return of 8.75 per cent tax free over five years. The Government evidently took the view that this guaranteed rate represented too good a bargain at this stage with lower interest rates and the prospect of a further decline.

At present the standard rate tax deduction of 29 per cent compares with the automatic composite rate tax (CRT) deduction of 25.25 per cent on interest bearing accounts in banks and building societies. But while a cut in the standard rate of tax to 27 per cent, or even 25 per cent, would have an immediate effect, there is a time lag before CRT is reduced in line.

In spite of the 1 per cent cut in standard rate tax last April, CRT is being cut by only 0.5 per cent to 24.75 per cent effective from this April. So there could be a significant imbalance in favour of these National Savings products until new rates are introduced.

Minimum purchases of Deposit Bonds are £100, and Income Bonds £2,000, and you have to give three months notice of withdrawal to avoid loss of interest.

For a National Savings investment account, currently paying 11.75 per cent gross, the minimum deposit is £5 and you can only give one month's notice of withdrawal. However, the rate can be varied immediately, without giving six weeks' notice first.

Building societies, who have been increasing rates paid to savers in recent months in an effort to increase retail funds to help finance the demand for mortgages, are expected to react slowly to any further cut in interest rates. So if you have some surplus cash immediately available that you would rather not tie up in shares or property, it is worth shopping around, especially at the building societies accounts offering instant, or quick, withdrawal of funds with no loss of interest.

with a very timely new account. Its four year term share issue offers 10 per cent net interest on deposits of £5,000 and above. This rate will be fixed until June 1 as a special initial offer.

The Society also guarantees that the rate will be maintained at a minimum 4 per cent extra annual interest over its ordinary share rate (currently 6 per cent).

Of course there is no guarantee that the society's ordinary share rate will not be reduced to an uncompetitive level in future and it is a brave person who is prepared to lock money away for four years.

J. E.

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Hotel InterContinental, London
8 & 9 April, 1987

The Big Bang in the London Stock Market last year focused attention on the extent to which the securities industry depends on technology. The systems now in place are only a first step towards automation in stock dealing. In the next five years profound changes are expected and it is to review the next phase that the Financial Times is arranging a second conference on Technology in the Securities Markets. The meeting will be chaired by Mr Patrick Mitford-Slade, Chairman of the Information Services Board, The Stock Exchange and Mr Ian Steers, Vice Chairman, Wood Gundy Inc. The speakers include:

Mr Richard Lawson
Deputy Chairman
The Securities Association

Mr Gordon Pepper
Director and Senior Adviser
Midland Montagu

Mr Paul Coombes
Principal
McKinsey & Company, Inc

Mr George Hayter
Divisional Director of Information Services
The Stock Exchange

Mr Michael Jenkins
Chief Executive
The London International Financial Futures Exchange

Mr Ian McGaw
Group Managing Director
International Commodities Clearing House Limited

Mr Michael Baker
Divisional Director, Settlement Services
The Stock Exchange

Mr Charles Pendred
Managing Director
Garban Gills Ltd

Mr Peter Bennett
Managing Director
Financial Clearing and Services (UK) Limited

Mr John Hewitt
Head of Global Equity Research
Sprimegour Vickers & Co Ltd

To: Financial Times Conference Organisation
Minster House, Arthur Street, London EC4R 9AX
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Technology in the Securities Markets
-The Next Five Years

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A FINANCIAL TIMES CONFERENCE

New shares service

SMITH NEW COURT, the London stockbroker, has formed a new division providing services exclusively for private investors. It will operate as an independent unit from its own offices, backed by a separate dealing team.

The newly formed subsidiary, Smith New Court Financial Services, will give advice on all aspects of financial planning. Its chief executive, David Grenier, said that so far the new market place after Big Bang on the London Stock Exchange in October, had benefited institutional investors and the corporate sector most. They aimed to redress the balance by improving the quality of service for private investors.

Kleinwort Greaveson announced this week that it was suspending its "no frills" ShareCall service which allowed investors to deal on the stock market at much reduced commissions. It is one of several discount services which after Big Bang was able to offer lower commissions for strict dealings only, with no research or advice provided.

The commission was the cheapest at only 1 per cent, although recently the company raised its minimum charge from £12 to £18.

However, it now says that volume of business handled by the group has become so great in recent months that it is no longer able to provide a proper service. Therefore it has decided to suspend ShareCall. It claimed to be handling 400 transactions a day.

Officially it ceased taking share purchase transactions on Friday, although some business was referred before then, according to investors. Sales transactions, however, will continue to be handled until the end of the current account period next week.

Moore Govett, which was first in the field with a DealerCall service charging 1.25 per cent commission on bargains up to £7,000, said it had no plans to suspend the service.

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Philip Coggan speculates on the Chancellor's Budget intentions

BES is facing more changes

WILL THE rules of the Business Expansion Scheme be altered yet again in next week's Budget?

Since the scheme was set up in 1983, Chancellor Nigel Lawson has tinkered with the qualifying requirements in order to encourage more risky ventures. In theory, the tax advantages that BES issues attract are justified because the ventures would otherwise have difficulty attracting capital.

However, after a plethora of safe, asset-backed schemes, last year's Budget disallowed companies with more than half their net assets in land and buildings. Despite the move, asset backing has remained an important selling point for BES issues.

So, one of the mooted changes the Chancellor might make on Tuesday is the disqualification of secured contracting companies. Secured contractors agree to do work for developers on deferred payment terms, but secure their fees by a charge on the land and buildings.

The effect is to give substantial asset backing without breaking the BES rules. A ban on such issues would seem sensible, not because they are in

essence poor investments but because they do not really fit within the spirit of the scheme.

Two other possible rule changes have been whispered in the corridors of BES sponsors, neither of which seems logical or popular. One is to limit the size of BES issues to £1m. But such a limit would only increase the percentage of issues absorbed by launch costs.

It would also emasculate the scheme as firms would not be enough to fund some of the more ambitious, and potentially profitable, projects; nor might it justify an advertising campaign aimed at the small investor. Companies might turn to private placements with institutions and that would probably drive out the more risky issues for which the BES was designed.

The other rumour is that schemes might be prevented from raising funds more than once. Again, this seems a bad idea. The second stage of growth is often the most difficult for new companies and it would be pointless to allow BES schemes to fail merely because it proved difficult for them to obtain new funds.

There are not expected to be any Budget proposals about the



London's Queen Victoria Street in 1897, one of the Francis Frith Collection

vexed issue of sponsors' incentives. Following the column three weeks ago on that issue, Nicholas Miller of Guildhouse wrote in to justify sponsors' fees. "It is important to bear in mind that the amount of work which sponsors may be required to undertake varies from issue to issue," he said. "In some cases, the work may be potentially wholly abortive if for any reason the issue does not proceed to a public offer."

Whatever the Chancellor proposes, there has been no shortage of BES issues in the last week before the Budget.

Croydon Cable, sponsored by the indefatigable Johnson Fry, is an issue and a half. There are 11 directors including Jack

Gill, the former chairman of ATV, and England cricketer Raman Subba Row; three classes of shares; and more than £2.3m of losses in the past financial year.

The A shares are owned by Cablevision, Crystal Palace Radio and Balfour Beatty; and the B shares by Alan Robinson, the managing director, Gill, Subba Row, Crystal Palace Football Club and Surrey County Cricket Club. BES investors are being offered the 5.5m C shares at £1 each.

What rights attach to the C shares? The TV station is, in fact, a joint venture between the company and Croydon Cable Partnership. All profits and losses will be absorbed by the partnership until the station has cumulative aggregate profits — around 1993. Thereafter, the C shareholders, if the offer is fully subscribed, will be entitled to 35 per cent of future profits.

A much smaller and less complicated issue is the Francis Frith Collection, sponsored by Minister Trust. Francis Frith was a Victorian photographer who vowed to take a pictorial

record of every town, village and city in the UK. Although he died in 1893, his work was continued by heirs and successors. The pictures are undoubtedly stunning, but the owners of the collection have so far been frustrated from exploiting the full commercial potential of the prints by the lack of capital for marketing and expansion.

Accordingly, the company is asking BES investors for £1m via the issue of 1m shares at £1 each. Unusually, the issue carries no special options for sponsors or management.

Undertaken by the difficulty of the Edinburgh Tankers issue in raising funds, a new £1m shipping scheme, simply called BES Shipping, is on offer. The new company has agreed to acquire two dry-cargo vessels to operate on the coastal and short sea routes around the UK.

Finally, another hotel, this one located in Salford Quays, an enterprise zone in Manchester. The hotel, due to open in June, will be managed by a subsidiary of British Caledonian and the company, called Wharfside Hotels, is offering 1.85m shares at £1 each.

No need for a PEP

Those living abroad can get far greater tax benefits than the rules at home allow, says Donald Elkin



ONE IMPORTANT group of Britons were excluded from the tax reliefs provided by the Personal Equity Plan (PEP) announced in last year's Budget. They are the 2m or so citizens living and working abroad who have thus ceased to be UK residents.

But even if you are excluded by reason of residence overseas, you need feel no concern, since your personal status will guarantee far more tax benefits than the PEP rules allow. You are not restricted to the maximum PEP investment of £2,400 per annum, nor is your tax relief contingent upon keeping the funds invested for a minimum twelve month period. By the simple expedient of investing outside Britain, you can ensure that no UK tax is payable on any of your investment income or gains.

Furthermore, this need not involve you in dealing with unfamiliar organisations, since many of those same managers who have recently launched PEPs also offer Expatriate Savings Plans (ESPs) via their offshore subsidiaries. As the table (which is not exhaustive) shows, there is no shortage of well known management groups offering this service and many linking funds are available. However, contrary to the requirement for PEPs, none of these plans offer direct investment into equities.

Most importantly, effecting an ESP involves you in no continuing commitment whatever. Some managers are even willing to receive irregular payments and in every case you can terminate your subscription at any time without penalty. Indeed, two groups — RBC and MIM Britannia — encourage regular contributions by providing bonuses of

the future tax benefits on the funds which will by then have accumulated. But any surplus savings can be allocated to ESPs, for the fact is that non-resident Crown servants are entitled to the same exemption from tax on capital gains and overseas investment income as any other expatriate.

Husbands and wives need special consideration too. Many families working overseas retain accommodation for their use in Britain and in these circumstances regular home visits by a partner without full-time overseas employment usually will result in that one being considered ordinarily resident in the UK. While the non-resident partner should allocate his savings to ESPs, the resident, as in the case of the Crown servant, might be better off in a PEP if return to the UK is expected in a few years. But if repatriation is many years away, and anyway for excess savings, an ESP might be the answer. For while the resident spouse is liable to tax on capital gains and overseas investment income, few will exceed the annual exemptions of £6,300 and £2,335 respectively.

EXPATRIATE SAVINGS PLANS

Management group	Minimum monthly subscription	Number of funds
Allied Dunbar	100	150
Fidelity	250	300
Franklin Templeton	50	3
Gartmore	100	20
Guinness Mahon	250*	19
Handera	100	15
Hill Samuel	100	18
MIM Britannia	50	28
NHL Rothschild	20	5
Perpetual	200†	5
Providence Capital	100	15
RBC	200	5
Save and Prosper	50	12
Schroder	100	19
Tyndall	100	5
Wardley	100	5

* Minimum initial investment £1,000.

† Minimum initial investment £2,000.

Anglia beats the Budget

Society not deterred by possibility of alterations in PEPs, reports John Edwards

ANGLIA Building Society has gone ahead with offering a Personal Equity Plan in spite of the possibility of Budget changes being introduced on Tuesday for PEP schemes.

It has teamed up with London stockbroker Hoare Govett, which will act as plan manager. Investments, between a minimum of £800 and the top limit of £2,400, are payable as a lump sum or in monthly instalments.

Charges are quite steep. You pay an initial charge of £25 in the first year (reduced to £15 in subsequent years); a one per cent annual management fee and £3 for each share purchase up to a maximum of £12 a year. Investment will be confined to a limited range of stocks plus authorised unit trusts.

So far only a few building

societies have decided to offer PEP schemes. But the Good PEP Guide, just published by MoneyGuides, gives top marks for clarity in presentation of costs to the Bradford & Bingley Society.

The guide says the range of costs is "enormous," with the cheapest-to-run PEPs costing little more than £100 over three years; the most expensive, £500. It comments that managers of schemes with the most expensive costs will have to turn in some quite good investment performances over the shortish term to overcome the effects of their high charges.

Chase de Vere Investments, the London financial adviser, has updated the March edition of its PEP Guide to provide details of 77 different schemes being offered by 42 groups. It compares with only 18 schemes, from nine groups, covered in the first edition last December. Robin Bloor, of Chase de

Vere, argues that there is a strong case for further concessions to the PEP schemes being included in the Budget next week. He said the three main areas to be considered are: increasing the amount that can be invested; increasing the proportion allowed to be put into unit trusts; and allowing tax relief on the annual investment.

Barclays, in its recent PEP bulletin, claimed that the UK scheme is competitive over a longer period with the French Loi Monory plan, which gives tax relief on the investment rather than the profits made.

It estimates that over a 10-year period a single £2,400 PEP plan would generate (at current rates) a tax saving of £740 for a basic rate taxpayer, compared with an equivalent Loi Monory saving of £700. If a PEP plan is opened annually for the next 10 years, the total £24,000 invested would benefit from tax savings altogether of £3,350.

10 REMARKABLE YEARS

1977

THE SILVER JUBILEE
The British public celebrated the Jubilee Year with street parties and other festivities.

In little over 10 months the Sun Life Managed Fund unit price grew by a remarkable 33.1%.



By the end of the year the Sun Life Managed Fund unit price had grown by 98.8% since launch.

1983

MARGARET THATCHER RETURNED AS PM.
Margaret Thatcher guided the Tories to a majority of only two less than Labour's massive 1945 victory.

Sun Life's Managed Fund price finished the year at 290.9p.



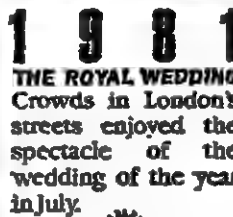
The Sun Life Managed Fund price reached a total rise of 356% since launch.

Growth shown is percentage rise, offer to offer price from 11.2.77 to 31st December in each year shown and 11th December 1986.

1981

THE ROYAL WEDDING
Crowds in London's streets enjoyed the spectacle of the wedding of the year in July.

By the end of the year the Sun Life Managed Fund unit price had grown by 98.8% since launch.



The Sun Life Managed Fund price reached a total rise of 356% since launch.

1986

BIG BANG IN THE CITY
In October the Stock Exchange changed its rules for dealing, breaking with long standing tradition.

Sun Life's Managed Fund price finished the year at 290.9p.



The Sun Life Managed Fund price reached a total rise of 356% since launch.

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And British equities were unstoppable in early 1986.

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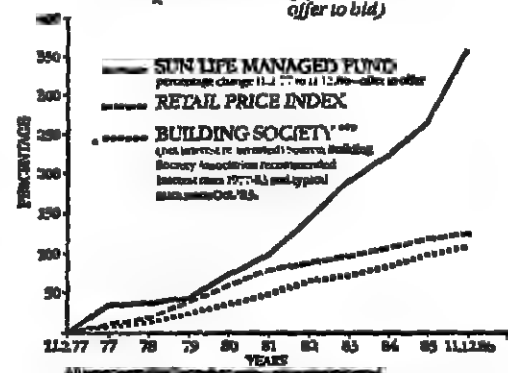
This is the same team who in 1986 won the Observer Small Unit Trust Group of the Year Award and the Sunday Telegraph New Unit Trust Group of the Year.

(*Offer to offer price from 11.2.77 to 11.12.86)

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FT1

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Interest rate cut triggers a war

THE SURPRISE cut this week in the base interest rate, from 11 to 10.5 per cent, immediately triggered off a minor mortgage war.

Midland Bank took the initiative by cutting its home loan rate by a whole percentage point from 12.5 to 11.5 per cent. It followed this up with a special offer of making £500m available on a first come first served basis for endowment and pension mortgages of £35,000 and over, at a fixed rate of 10.2 per cent (APR 10.5) for three years. After that, borrowers can decide whether to have a further fixed rate loan (at the rate then being charged) or switch to a variable rate of interest. There is an arrangement fee of £100.

Midland, even before the interest rate reduction, had made it plain that it was seeking to expand its share of the mortgage market by launching the HomeOwner plus package, available to June 30, giving various extra inducements. These include three months free buildings and contents insurance; a 2 per cent interest rate discount on its HomeOwner Reserve account for a 12-month period; a facility with Access to borrow up to £3,000 for three months, following agreement of the mortgage; to assist with the expenses incurred while moving house; and a free Securikid with a home contents marker and ultra violet lamp with related insurance policies.

Midland said the package would be backed by over £1bn of fresh funds.

However, Lloyds Bank quickly countered by offering £300m worth of fixed rate mortgages, also at an interest rate of 10.2 per cent for the period to June 1990. The special deal is available only for home loans with an endowment insurance policy taken out via Lloyds or its estate agency subsidiary, Black Horse.

John Dawson, director of Lloyds UK retail banking, noted that the bank's last spring of £200m of fixed rate mortgages at an interest rate of 9.9 per cent had been sold out in three weeks.

This year, however, the situation is somewhat different. It is widely anticipated that interest rates will be cut by at least another 0.5 per cent, and probably more, after the Budget, which would in turn trigger a general downward shift in home loan rates.

No one has yet followed Midland's move to cut its basic home loan rate. Other lenders say there is little point in acting at this stage, since they would prefer to wait and see the extent of the expected decline in interest rates.

Building societies are particularly reluctant to follow the decline prematurely. Demand for mortgages remains strong, and the societies are having increasing difficulty in attracting sufficient new funds to finance extra home loans from the retail market. Last year the shortfall in funds was met in many cases by societies either reducing their liquid assets or borrowing more from the wholesale market. But this cannot continue on the same scale.

It seems likely, therefore, that the banks will become increasingly competitive and set the trend in cutting the cost of home loans.

Halifax Building Society, while maintaining its mortgage rate of 12.25 per cent for the time being at least, has introduced a package of home loan products aimed particularly at the first-time buyer.

Its new working life mortgage enables the cost of borrowing to be spread over the whole of your working life until retirement. Main benefit of the extended period, especially for younger people, is that there is a reduction in monthly repayments.

You are also guaranteed an additional mortgage, as and when required. By moving from a conventional 25-year period to a longer term mortgage, monthly repayments can remain relatively unchanged when borrowing more.

At the other end of the scale, London Banker Brown Shipley and Co., has introduced a specialised facility for sophisticated borrowers, known as the Executive Mortgage Scheme, which allows you to take a view on interest rate movements. You can select a mortgage interest rate at 1 per cent above Libor (London Interbank Offered Rate) for a short-term period of 90 to 180 days, or for a longer period up to five years ahead.

Minimum home loan under the scheme is £50,000 and it will normally have to be repaid either by a matching endowment policy, although pension contracts will be considered.

STANDARD LIFE, one of Britain's biggest life assurance companies, and Bacon and Woodrow, a leading firm of consulting actuaries, both lobbied a quiet bombshell this week into the rapidly changing pensions market.

The cause of all the excitement was each company separately announcing details of a new plan to offer pension mortgages to members of company pension schemes they control.

Pension mortgages—a very tax-efficient way of repaying a home loan—are now widely used by the self-employed. But, until now, they have rarely been offered to employees who belong to a company scheme. Quite simply, paternalistic pension fund managers have argued that it is not in the employee's own best interests to use his or her pension to pay off a mortgage.

Building societies have taken a similar line. They enthusiastically sell pension mortgages to the self-employed, but tend to be ultra cautious with employees, though a few societies (such as City of London) are now prepared to offer them pension mortgages.

This attitude could now be changing—thanks to the new personal pensions which will be available from April 1988 under the Government's Social Security Act.

Employees can contract out of their company's occupational pension plan, and can then use personal pension contracts to secure mortgages in respect of contributions above the minimum protected rights.

LOW INITIAL charges, and a highly individual way of managing funds, has brought rapid growth in a short time for Global Asset Management (GAM) which has just launched its 31st fund—a UK Special unit trust.

GAM was founded only four years ago, in April 1983. It now manages some £1.75bn, of which £1.4bn are in funds. The growth, with offices in London, Hong Kong and Zurich, has close connections with Jacob Rothschild, 11th company, Rothschild Holdings, has a 30 per cent stake, and he is chairman of GAM.

Another Rothschild director, Nils O. Taube, is deputy chairman. The latest stake in GAM, however, is held by Gilbert de Botton, who was previously with the Rothschild Bank of Zurich, but wanted to try out new investment methods. The basic philosophy is to pick managers, with a proven track

Employees set to benefit



That will give personal pensions contracts a competitive edge—unless life assurance companies, employers and trustees and other life pension providers take the plunge and offer pension mortgages to members of company schemes.

On Wednesday Standard Life said it would bring in a pension mortgage scheme for the 2,500 company schemes which it administers, whether on a money purchase or final salary basis. At the same time Bacon and Woodrow revealed details of a scheme which will be available to the 1m employees in those self-administered company pension schemes to which it is the consultant.

This is an important development. It gives an aura of

countrywide communications exercise to explain the new pensions environment in April 1988 to its clients, and setting out the advantages and disadvantages of personal pensions and company schemes.

But, as executive Tom King explained, Standard Life does not want to see any employee at a disadvantage because they elected to stay in company schemes, rather than take personal pensions. Thus it is setting up the pension mortgage facility.

Bacon and Woodrow is already briefing clients on the new pensions environment in a series of seminars. It is emphasising that companies will need to respond to stop employees walking out of the company scheme.

Some consultants are already offering a pension mortgage service to clients on an individual basis. Michael Head, UK mortgage manager of consultants Mercer-Fraser, has for some time been arranging pension mortgage schemes when client companies approach his firm for such arrangements.

These are tailor-made to the client's individual requirements—possible the right approach when there is no pressure from a vast number of clients needing such schemes.

But April 1988 is not all that far away, and suddenly consultants could be faced with a flood of inquiries. The off-the-peg schemes from Bacon and Woodrow and Standard Life can deal with these requests quickly.

Eric Short

Success story

record, to run funds with a low cost structure. GAM relies almost primarily on fees for its profits. All its 26 offshore funds have no initial front-load charge. There is no bid-offer spread. The price quoted is a single one based on the net asset value at the time.

Unlike most other no-load funds GAM does not recoup the initial charge by having higher management fees. Its annual fees are the normal standard rate of about 1 per cent of value.

There is a front-load charge on the group's onshore UK authorised funds, including the new UK Special trust, but it is only 3.25 per cent compared with the normal 5 per cent. Andrew Green, who will be managing the new trust, says he

selected to manage a particular fund or funds.

The group likes to use the analogy of cooks and waiters. The "cooks" are the fund managers, who are allowed to concentrate on their assignment without necessarily having direct contact with the ultimate customer, while the waiters are the GAM management team which deals with investors and decides the allocation of money received to the various funds available.

They are great believers in funds being the most suitable vehicle for investors. If you want an individually managed portfolio, you would have to have a minimum of £5m. But you only need buy 1,000 units to participate in the group's fund. The UK Special unit trust is available at a fixed price of £1 until Monday, so the minimum outlay is £1,000.

John Edwards

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10.0	10.0	10.0	10.0	10.0	10.0
25.2	25.0	25.2	25.0	25.2	25.0
25.2	25.0	25.2	25.0	25.2	25.0
25.2	25.0	25.2	25.0	25.2	25.0
125.6	134.4	125.6	134.4	125.6	134.4
31.8	34.0	31.8	34.0	31.8	34.0
148.0	174.8	148.0	174.8	148.0	174.8
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مكازم التحصيل

FINANCE & THE FAMILY

Linda Lennard explains new maternity pay provisions

Small benefit to women

NEXT MONTH will see the introduction of one of the first major changes to State benefits resulting from the Social Security Act 1986. Most of the measures in the Act are not due to take effect until next year but the maternity benefits system is set to change radically from April 6.

A new system of statutory maternity pay (SMP) will replace existing maternity pay and maternity allowance for most working mothers — though if a baby is expected before June 21, entitlement to maternity allowance or maternity pay will depend on the existing rules.

SMP will be administered by employers, not the DHSS, just as they now run statutory sick pay (SSP). There have been criticisms of this transfer of responsibility. Employees of small firms or in part-time jobs have been particularly at risk with SSP because of errors in payment or ignorance about entitlement. And many employers are worried about the time and costs involved in administering yet another scheme, which is even more complicated than statutory sick pay.

To qualify for SMP you will need to show:

- That you have worked continuously for the same employer for the 26 weeks up

to and including the 15th week before the week the baby is due;

- That your earnings over the last eight weeks of those 26 weeks are not below the lower earnings limit at which you are liable to pay national insurance contributions (£29.50 from April); and
- That you are actually working for the employer up to and including the 15th week before the baby is expected.

Other rules you will need to satisfy: you must give your employer at least 21 days notice before you leave because of pregnancy, or must give notice "as soon as reasonably practicable" which has been left to the employer to define.

You also have to provide medical evidence of the expected week of birth 14 weeks beforehand, generally through a Maternity Certificate (form Mat B1) signed by a doctor or midwife, or a written statement signed by either if your employer will accept it. If the baby is born earlier, you'll need to show this certificate or the birth certificate.

SMP will be payable for 18 weeks altogether. There is a fixed core period of 13 weeks starting six weeks before the baby is due; with the remaining five weeks, you can choose to tack them on at the beginning



or end of the 13 weeks, or split them between.

SMP will be paid at two rates. The higher rate, set at nine-tenths of your average weekly earnings, will be paid for the first six weeks. To qualify, you must have worked continuously for the same employer for 16 or more hours a week for at least two years, or for eight to 15 hours a week for at least five years.

The lower rate—£32.85 a week—will be paid for the remainder of the period. If you don't qualify for the higher rate, the lower rate will be paid throughout.

SMP should be paid when your salary would normally be paid and in the same way. It is also subject to deductions for National Insurance contributions and income tax.

If you are refused SMP by your employer and you disagree, you are entitled to appeal to the Adjudication Officer at your local DHSS office. And although employers can use any occupational maternity pay to offset against SMP, they will not be able to use the rules of the occupational scheme when paying SMP. The DHSS sets the rules for SMP.

Women who are self-employed or do not qualify for SMP may be able to claim

maternity allowance. They will have to show they have worked and earned enough to pay National Insurance contributions for at least 26 of the 52 weeks ending in the 15th week before the birth.

It will be paid at £30.05 a week for the same period as SMP.

Women who are not entitled to either benefit can claim sickness benefit for nine weeks, starting six weeks before the week the baby is expected. But to qualify they must have paid or been credited with National Insurance contributions on earnings of at least £1,775 in the tax year 1985-86.

Next month will also see the abolition of the universal £25 maternity grant, and of supplementary benefit single payments for baby goods. They will be replaced by a flat-rate means-tested grant of £20 from the new social fund. The average supplementary benefit single payment for baby goods was £85 in 1983, so this is effectively a cut for many women.

It is estimated that approximately 94,000 women will lose out because of the changed rules on maternity allowances, especially those who gave up work more than a year before claiming, while only 20,000 are expected to gain. Many women are also expected to lose out because of the complicated service conditions for SMP and the transfer of this scheme to employers.

Advice and information on the new maternity benefits are available from DHSS offices, from Citizens Advice Bureaux or from the Maternity Alliance at 68 Camden High St, London NW1 7JL.

Pensions linked to units

WHEN THE self-employed come to draw from their pension contract, they usually select a level annuity offering the highest initial income. Effectively, they are switching from equity or mixed fund to a purely fixed interest investment, and lose out on future capital growth.

This week, the life assurance operations of Framlington—one of Britain's top unit trust groups—joined the small band of companies offering annuities where the payment is linked to a unit fund. As the unit price rises, so does the annuity payment.

Most unit-linked annuities are complex and difficult to understand. Framlington has set out to make the operation as simple as possible.

The self-employed person invests his pension cash in units of Framlington's Managed Pension Fund, with the number of units secured relating to the offer price. The initial pension secured relates to the bid price, and each month the amount of pension varies with that bid price.

The individual does not have units physically allocated. Instead, the unit prices are used to determine the amount of the pension payment each month and the cost to Framlington. There is no question of units running out before the individual dies.

The weakness of this system, which Framlington makes no attempt to disguise, is the low starting value. For a man aged 63, £100,000 cash will now buy a starting pension of £29.71 a month. When unit prices fall, the pension payment drops.

The strength is that, over the long term, the pension should rise faster than inflation and preserve living standards. The fund has risen 60 per cent in two years.

Eric Short

Throw off your chains

Eric Short tells how you can avoid the cost of a bridging loan when you can't sell your house quickly.

A PRIME cause of frustration when moving house is delay—particularly delays when one householder in the "chain" cannot sell his or her house.

The classic means of avoiding delays when a householder cannot sell is to get a bridging loan to buy the new house, which can impose a serious drain on the householder's cash resources. He or she is effectively servicing two mortgages.

Any alternative is for a third party to buy the house which cannot be sold, and for that party to undertake to resell the house. So far only a very few such schemes are available to householders; the most notable is the one offered by the Prudential Assurance under its mortgage scheme.

Now Homequity, the UK's leading relocation and property services specialist, has launched its scheme under the somewhat grandiose name of Goldlink Chainsaver.

This service operates through estate agents—the logical outlet through which to handle unsaleable houses. There are

750 independent estate agents in the national Homequity network, with some 2,500 offices.

The scheme operates like this:

- Two independent valuations of the house are made, one undertaken by the Homequity network agent concerned.

- From these valuations the open market value of the house is calculated, and the estate agent advised of the figure.

- The estate agent makes an offer to the houseowner, which will usually range between 98 and 99 per cent of the open market value of the property.

- This discount may seem harsh, but there is a softer: the estate agent meets all fees—usually amounting to 2½ to 3 per cent of the value.

- The chain is now freed because the estate agent becomes responsible for selling the property.

The finance for buying the house is provided by Homequity to the estate agent in the form of a loan, with interest at 15 per cent over Libor (London Inter Bank Offered Rate).

The estate agent thus has a financial incentive to sell the house quickly. The longer it remains unsold, the more the costs eat into profit on the eventual sale of the house. The breakeven point is about 17 weeks. If the house is unsold after this time the agent loses money.

This scheme is available wherever the Homequity sign is displayed in an estate agent's window. But it is up to the agent to decide whether to offer the service.

There are, too, some important features that housebuyers need to keep in mind.

First, if the open market value is well below the original asking price of the house, the houseowner should at least ask the estate agent why he advised such a high price in the first place. Delay in selling a house is often because the initial asking price is set too high.

Second, if, on using the service, the estate agent sells the house quickly, the housebuyer can reasonably question whether the agent really tried to sell it from the outset. The life companies and banks now buying estate agency chains all profess to be astonished at the general lack of marketing ability among estate agency staff.

Homequity itself regards this scheme as one to be used only in extreme circumstances—such as a deal falling through at the last moment—rather than standard sales procedure. It adds to the service offered by estate agents. Used indiscriminately, it could expose the housebuyer to some doubtful estate agency practices.

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The income of the Fund is distributed by the Trustee on the 31st May, the first payment being 31st May 1988 together with certificates for unitholders tax credits, which may be reclaimed from

contain interesting investment prospects. The balance of the Fund is invested in companies, listed on established stockmarkets, which derive a significant proportion of their profits from Frontier Market economies.

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PROPERTY

John Brennan meets the new supremo at the Pru

In pursuit of loyalty



Joe Bradley, taking over property for the Prudential

"I DON'T BELIEVE that financial services' supermarkets as such will ever be viable," says Joe Bradley.

Anyone who has listened to the arguments of the independent estate agents would find that an odd comment coming from the new managing director of Prudential Property Services (PPS).

Independent agents happily explain—often in positively gothic detail—their vision of the property world of the future being populated by two classes of agent.

In the blue corner, holding the ring for free enterprise, entrepreneurial standards of service, professionalism, and for all the virtues of specialisation in home sales, they see their fellow independents. In the other, corporation-grey corner, they picture the serried ranks of the national chains, their offices staffed by demotivated company men clocking on for 9-to-5 days spent stacking the shelves with the latest financial products from head office, or selling life policies alongside computer print-outs of properties they have never seen.

No matter how hard Lloyd's Black Horse or Allied Hambro, the building societies, or the insurers protest that they're in business to sell houses, the independent retain this nightmare vision of national chains of financial supermarkets selling an occasional property at discounted commissions to draw in new savers and policy holders. Joe Bradley dismisses this simplistic vision out of hand. Prudential Property Services will be in the financial services sales business, but it won't be able to cross-sell other services. If it doesn't get its house sales business right, "Handling a home purchase is an obvious first point of sale contact, and it is inevitably a trigger for

some financial services—obviously in most cases people want a mortgage, and they need insurance. But that doesn't mean that you would expect to sell Prudential brands to everyone who buys a house. The success of the business lies in what proportion of customers see Prudential services as best for them."

Bradley points to the Pru's home sales force as the way of capitalising on the sales contacts without putting staff into agency offices to sell insurance or pension plans to customers who want to trade property, not savings plans. "That's our strategic advantage, because there already exists this effective sales operation which can pick up referrals from the house agency side."

No "one-stop" financial centres then, but certainly "one-stop" house sales offices with the £140m spent by the Pru on acquiring 373 outlets still seen as only part-way to a full national coverage of offices offering relocation and chain-breaking services for buyers, and with all the marketing of national and regional TV campaigns to help establish a "brand" image for the agency.

"There is enormous brand loyalty in financial services," says Bradley. "People give a lifetime loyalty to a company they feel comfortable with."

"There is no such loyalty in the estate agency world at the moment, and while you do have a lot of well motivated—if not always well-trained—people, customers haven't had the national networks where they can be sure that they'll get a consistent standard of competence and quality of service wherever they are in the country."

Bradley, now 46, has helped to build a national branch network before. In the 1970s, after some years with the sales and marketing side of Unilever, he was involved in the Nationwide's branch-building phase as one of the building society's general managers. Rather than wait his turn for a shot at the top job at the Nationwide, he took the managing director's chair at the Town and Country Building Society in 1981.

Bradley formally moves over to the Pru in June, allowing time for Town & Country to find its new chief. By that time the design group Fitch & Co should have submitted its proposals for a complete redesign of the interiors of the agency offices, and Bradley would expect to be a little nearer his rough target of "perhaps 500 to 600 offices, to get a full national coverage."

As for the commission war every independent agent expects to see as the national chains fight for market share, Bradley doesn't expect to be the one to start it. "Commission rates have been squeezed down across the country and I believe that a better way of building on the business we have is by constantly improving the quality of the service we provide."

"I don't want to run a regional steamroller over the competition. I don't think that is the way to develop business long-term."

Offshore Ireland

As far as international buyers are concerned, "there have been some more enquiries, but I wouldn't put it much stronger than that," says Inge. Nevertheless, as he says, "just looking at some of the comparisons with English properties you do get so much more for your money that perhaps it is time people started to look again."

KF & R have, for instance, one of Ireland's grandest houses on

their books in the 300-acre Straffan House estate. Twenty miles along the River Liffey from Dublin, and coming with everything from its own stud farm to indoor swimming pool, that estate is on the market for £3.5m. As Inge says, an estate of that standard a similar distance of London would be worth £10m or so.

Jim Deegan, who has opened a London office for the Irish agency Keane Mahoney Smith,

quotes prices a third to a fifth of their English equivalent—a 19th Century rectory 40 miles from Dublin for £50,000; an early Georgian house in eight acres of lawn and paddocks outside Cork for £175,000, and a late Georgian mansion nearby for £190,000—even a castle on its own 310-acre island for £800,000. The price differential is now such that Deegan claims to have a lot of enquiries from UK homeowners cashing in their properties to retire across the water.

J. B.

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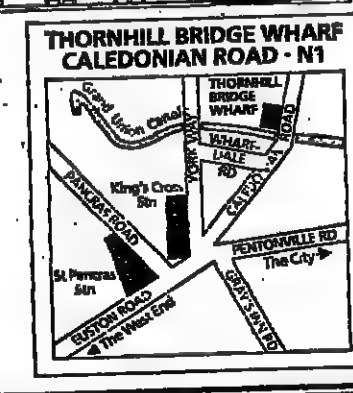
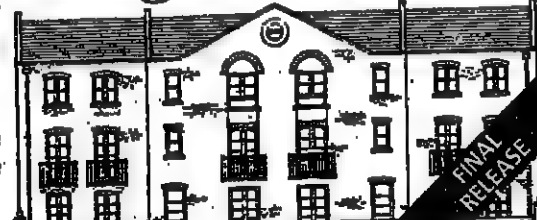
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John Brennan travels to Hampshire and finds that London prices are heading west

Down in the Forest, the market stirs

"WE ARE AT the end of a wealth corridor that runs out from London, and it does sometimes take people a while to get used to the idea that, although we are a couple of hours' drive from town, prices are by no means cheap."

Stephen Montague-Jones at the Lymington office of Jackson and Jackson (0590 75025) operates along the Solent shore in the narrow, prime residential belt south of the New Forest. Like other agents in the area, his main problem is finding enough properties to meet the demand from week-enders, from an increasing number of commuters, and from people who want to retire to the area.

The incomers, says Montague-Jones, quite often arrive with an unrealistic idea of what they can buy. "We do get people who come in, show us a photograph of their house in Sussex or Surrey or Kent or wherever, and say that they want to get the equivalent around here."

"What they do not realise is that when their houses were being built a couple of hundred years ago, they were not building that kind of thing around here. This was a very poor area, and there are only a limited number of major properties."

"What tends to happen is that people sell their, often fabulous, country houses or their place in London, and buy a quite ordinary property in Lymington. They are really moving for the sailing, or for friends."

That's the key to the incomers' market in the New Forest. People moving there do so to buy the lifestyle, rather than being drawn by any broad choice of properties.

As Paul Stickley of Elliott and Green in Lymington (0590 77222) says, the days when Londoners would drive out, pick up a derelict house in the forest or overlooking the Solent for a few thousand pounds and convert a rural bungalow into a chic weekend cottage are long past.

"Most of the properties in this area are coming around to their second renovation now, and anything of any interest in that line that does come up, gets put to auction."

Stickley says: "There really isn't anything much under £20,000 to £100,000 in Lymington itself. A four-bedroom house on the south side of the High Street—which is the most expensive part—has just sold for £230,000."

A 500-house Wimpey estate on the outskirts of the town has

made it possible for local first time buyers to find a home in the £25,000 to £30,000 range. Otherwise, buying pressure from week-enders and retired people, and from executives in the financial services groups relocated to Poole and Bournemouth just down the coast, is pricing locals out of the market.

Jeremy Stanley-Smith of Fox & Sons (0590 75424) confirms that "facing the Solent, in this narrow waterside belt on the south side of the forest, prices are definitely not cheap. You'll normally find that a view of the water will add £25,000 to the price of a property."

Commuters can catch the 7.22 and get to Waterloo before 9 o'clock

Planning restrictions throughout the New Forest are tight. The New Forest District Council keeps a short rein on any new building work in and around the 90,000-acre of the forest itself, and the South Coast Draft Plan doesn't allow for more than the occasional infill development.

But that doesn't mean that the local agents' offices are perpetually out of stock. There may only be a limited supply of properties, but turnover is brisk.

Stanley-Smith says: "The weekend properties do get traded, and there is a high proportion of second home ownership here because it is so convenient for London. Otherwise, a lot of people come down here permanently when they are 55 or 60, perhaps three years later they'll be considering trading down to something more manageable, and a few years later they may trade down again, perhaps to a warden-assisted flat."

"Properties are turned over very frequently, perhaps every three to five years. People don't come down and live here for generations. They come because it is an amenity area, a place to enjoy themselves."

North of the Solent, in the centre of the forest, Chris Hayward of Slater Wilde in Brockenhurst (0590 22602) reports that on a sunny day his office regularly fills with browsers who, having driven south from the M3 and Southampton road, find themselves in the forest and get the urge to price-up a few cottages.

"You really cannot tell whether people are just looking, or whether they do intend to buy. Quite often we might think that someone isn't that serious and they'll turn around and buy a place straight-out."

Old forest cottages are what a lot of people are looking for as a second home, and you do still get those coming on to the market now and then. But there are also a lot of people looking for family homes, who move here full time and commute into London.

At 7.22 each morning the Brockenhurst commuter train loads up with London workers who arrive in Waterloo at 8.59. In return for their long distance travelling the New Foresters come home to a vast conservation area.

If their property happens to have forest rights attached to it under the 1967 New Forest legislation—which formalised long-established common rights by linking them to individual houses and small-holdings in the area—they'll be able to leave their work in London with a little subsistence farming.

Those forest concessions vary from the right to chop a specified amount of wood, to permission to let animals graze in the forest, and the freedom to send your pigs in among the trees to eat up the autumn's crop of fallen acorns.

Property prices in the forest reflect the open ended demand and strictly limited supply of properties. It's the same north west, up to the valley of the River Test, which ranks, and is priced, as prime country house territory.

Salisbury, to the north east, effectively marks the western border of the commuter belt. Property prices start to shade off as you move west from there.

South of Salisbury, running down past the town of Fordingbridge and along the western borders of the New Forest, the broad valley of the River Avon has more than its share of sizeable country properties. The extra travelling time to the coast, to the main-line stations, and to the motorways to London justifies a substantial discount on prices.

"You do get better value for your money on that side of the forest," confirms Chris Hayward. "In rough terms you'd pay £70,000 to £80,000 for a place there that would cost you perhaps £100,000 in the forest area."



FOUR WINDS (above), a 1939 thatched four-bedroom house at Hatchet Gate, near Beaulieu, is a classic example of one of the larger New Forest "cottages." Set in an acre of garden, but with the forest stretching all around, it has its own indoor swimming pool, hard

tennis court and out-buildings with loose-boxes, tack room and garages. Jackson & Jackson (0590 75025) has the property on its books for £265,000 freehold.

For the renovation-minded, the agent also has a couple of rare, unmodernised New

Forest properties due to come for auction in the next few weeks. One is a basic forest cottage on a reserve price of £75,000, and the other a timber house, with 150 yards of river frontage and scope to rebuild, for between £150,000 and £200,000.

A South Side Story

NO ONE seems to have taken much notice of one of the more elegant property deals of the year, a swift transfer of Thames river frontage that—among other things—neatly illustrates the comparative values of building housing or offices along the riverside.

The site is Bankside, Southwark. One of those long fought-over stretches of the South Bank development land, lying between Southwark Bridge and the Cannon Street railway lines.

The fight for this prime site had been won by the property side of European Ferries some time ago, but it went back for another round when the land passed to Stuart Lipton's Stockley group. Lipton's plans for a distinctive office scheme there fell foul of the Southwark Council and, as is often the way in the

property world, the site went discreetly back on to the market. It is understood that it then ended up in the hands of Mountleigh until a week or so ago, when Regalian Properties picked up the whole Bankside property, raising the £16m needed by a swift institutional placing of 9.2m shares—10.9 per cent of the enlarged equity—at 178p a share.

The elegance of the deal is that despite the turn-down of Lipton's plan there remains a live detailed planning consent—plus lined-up funding and contracting agreements—for a 210,000 sq ft office block and 98,000 sq ft of residential space. Built out in that way the whole scheme could have a completed value approaching £75m.

Regalian, best known for residential developments, could turn the whole area into flats and houses. But that's where the riverside value equation comes in. Residential space on that site might achieve a selling price of £250 a sq ft, but offices completed and available for occupation inside two years could rent for upwards of £25 a sq ft a year, giving a capital value—even on an undemanding initial purchase yield—of anything from £400 to £500 a sq ft gross.

It is by no means as simple as that, but a rough, back-of-an-envelope calculation suggests that even if Regalian could sell residential units for the near £400 a sq ft being achieved on river-facing flats in Chelsea Harbour it would still be a better bet to run with the office consent.

J.B.

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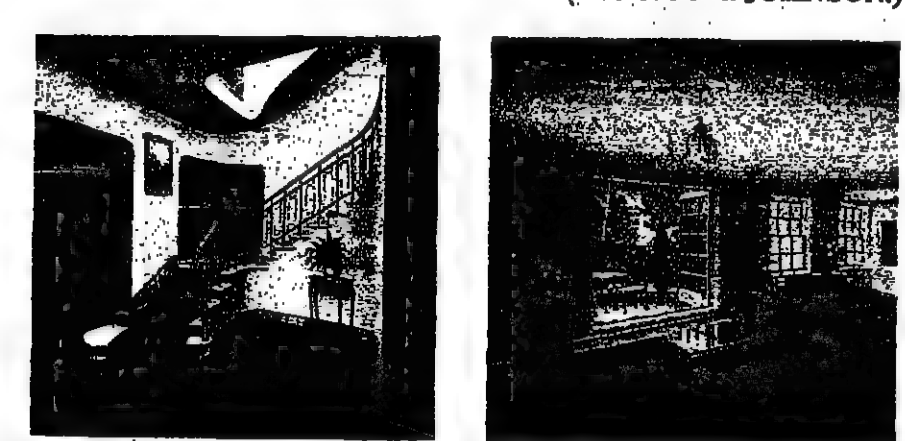
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مكتبة الانجلى

More home truths

I am interested in the tax on second homes question and have read and re-read your item of January 31 many times without being able to establish the underlying principles or decipher the fractions in the calculation. Your article that a home is exempt and because of election in the case of two homes as to which is exempt, by favouring the one to be sold first no capital gains tax liability might be expected.

I can appreciate that the Revenue would not wish to permit changes (of mind) of unlimited retrospective and aspect but I do not appreciate why you suggest that notice be given that the Lake District house is to be the main residence from two years ago. What is wrong with "from the date of notice."

It is also mystifying that notice is to be given on the day of the sale that the house not sold is the main residence from two years previous to the sale. This latter step would seem to underline that the house sold was not the main residence. I would very much appreciate your assistance. I have two houses and worry nearly every week how a problem will be resolved, which if a career disruption at 50 can be turned round will direct me to one house and if it cannot to the other. The one with the borrowing is presently my main residence.

Following the interest aroused by our illustration of the intricate and arbitrary (indeed almost capricious) rules laid down by Parliament for couples with two homes, published on January 31 under "Tax on second homes," you will have

seen that it was republished on February 21 (unfortunately with the same printing error in the RPI postulated for July 1989). The numerator 2553 represents the number of days from December 31 1976 to January 31 1985; the denominator 4595 represents the number of days from December 31 1976 to July 31 1989; the difference comprises (a) the number of days from January 31 1985 to July 31 1987, viz the period for which the house was covered by the main-residence election under section 101 (5) (a) of the CGT Act 1979, and (b) the number of days in the 24 months up to July 31 1989, by virtue of section 102 (2) (a) of that Act. The fact that you still could not follow our illustration after reading the pamphlet CGT 4 tends to confirm your criticism that it is an inadequate paraphrase of the law.

The question of choosing which residence is to be treated as the main one, for any particular period, does not arise in relation to mortgage interest relief, as you will see from the explanatory booklet IRII (Tax Treatment of Interest Paid)—the choice is only available in relation to CGT, and the choice made for CGT purposes has no effect upon mortgage interest relief. It is simplest to regard taxation as a game played according to arbitrary rules devised (or at least approved) by MPs, and not to bother trying to divine some underlying principle: the basic principles have long since been overruled by expediency.

Relief on HP debt

X Limited buys printing equipment on hire purchase. On the day before the signing of the hire purchase agreement the directors of X were asked to sign joint and several guarantees in relation to the agreement. There were three directors: A, B and C who by written agreements were jointly and severally liable in respect of guarantees given to creditors of X by the directors. The directors between them owned outright more than 80 per cent of the issued share capital of X. X carried on the trade of general printing. There were three partners A, B and C who shared profits and losses equally and were jointly



No legal responsibility can be accepted by the Financial Times for the answers given in this column. All enquiries will be answered by post as soon as possible.

and severally liable for the liabilities of the partnership. Y carried on the trade of self-employed "printers and suppliers of plant, machinery, office equipment, supplies and services."

The bulk of Y's income was derived from charges made to X in respect of the services mentioned in the previous sentence.

In the particular circumstances of this case—is income tax relief available to the partners of Y in respect of the interest amount still due to the hire purchase company under the terms of the joint and several guarantee?

Although you refer to the transaction as one of hire-purchase, it looks as though it may in fact have been a credit sale. That being so, the directors (personally, not as partners in Y) may be entitled to CGT relief under section 136 (4) of the Capital Gains Tax Act 1979, provided that the guarantees were not given before April 12 1978.

Student funding

From information recently published it is obvious that I will have to make a parental contribution towards my daughter's grant when she goes to university in the autumn.

(1) Assuming my parental contribution is £X must the actual amount I pay by covenant be £X with the reclaimed tax as a "bonus" or do the Inland Revenue only permit a covenanted payment of £Y so that £Y + reclaimed tax = £X. (2) If I make my contribution by 12 monthly instalments rather than say eight/nine over the university year will this affect my daughter's right to claim supplementary benefit if she cannot work during the long vacation?

You can covenant as much as you wish; but there is little point in covenanting more than your forecast of the basic personal allowance.

II Not necessarily. A National Union of Students leaflet, Covenants for Students (£1 + SAE) explains supplementary benefit—NUS, 461 Holloway Road, London N7 6LJ. A Department of Education and Science booklet, Grants to Students: a Brief Guide, will be available after Easter.

Accountants not at fault

My brother-in-law is a Director of several companies and on his own account he very actively trades on the Stock Exchange in shares and traded options. He has always engaged a Chartered Accountant in the presentation of his annual return of income tax. He gives full details of all share transactions and sources of income to his accountant who summarises the information for submission to HM Inspector and in times past his accountant has then sent the tax return for signature with no further stipulations. But on this occasion (the accountant has recently amalgamated with another firm) a Chartered Accountant has been written as follows:

BRIDGE

RECENTLY PUBLISHED in paperback (Robert Hale, £4.95), *Bridge Tips by World Masters* by Terence Reese is a book you cannot afford to miss. These are the famous BOLS tips: every bridge player owes a great debt of gratitude to the Dutch Dittler for their sponsorship of the competition which saw the birth of these tips.

Let us look at "Check the Distribution".

W	N	E	S
♠ 10 7 3	♠ A 8 6	♠ K Q J	♠ 9 5 4 2
♥ 8 6 3	♥ K 9 4	♥ J 7 2	♥ 10 9 5 4 2
♦ 10 9 5 4 2	♦ A Q	♦ K 10 5 2	♦ 8
♣ 8	♣ A J 7 4	♣ 5 4 2	♣ 10 5
		♣ 7 3	♣ Q 9 8 3

North dealt at game all and bid one club, to which South replied with three no trumps. This was a poor response; a temporising bid of one diamond is better. However, on this occasion no harm was done—North raised to six no trumps, and all passed. West led the knave of diamonds to dummy's queen, and the declarer went wrong by crossing to the king of spades and finessing the ten of clubs, which lost to the queen. Unable to avoid the loss of a heart, he went down.

Correct technique is to search for clues before taking the club finesse. The ace and king of hearts should be cashed, and the fall of the ten makes it safe to play a third round and concede one trick to the queen. Winning the diamond return in dummy, declarer plays off the nine of hearts, three top spades, and the king of diamonds. This discovery play reveals that West started with three cards in spades and hearts and six diamonds, He

Your completed tax return together with related schedules for the year ending April 5 1986 which we have completed from the information provided is enclosed herewith. We shall be grateful if you could check that the entries contained therein verify that all sources of income and details of disposals have been correctly shown before signing the declaration on Page 1 of the tax return form and return same to us for onward transmission to the Inspector of Taxes.

My brother-in-law is of the opinion that as he employs an accountant at appreciable expense it is unreasonable to expect him to spend a considerable amount of time in checking all the details above mentioned to ensure accuracy for presentation to HM Inspector of Taxes. Do you agree?

Your brother-in-law's accountants have a poor command of English, but that is regrettably common in the accountancy profession. However, apart from chiding them for writing a 52-word sentence and for not having bothered to read the 1986 edition of Gower's *The Complete Plain Words* (HMSO), your brother-in-law should not complain. They are not asking him to check their CGT calculations etc they are asking him to make sure, for example, that there is nothing he has forgotten to tell them about. It is he who will face penalties if anything has been omitted from the return: surely he would rather avoid the imposition of penalties than have to pay up and then see whether he has a right of action for negligence.

As permitted by my professional body I am considering forming a limited company of which I will be sole professional employee, to give professional advice. Will this render unnecessary professional indemnity insurance or could I personally be the target of legal action?

Indemnity insurance

You would not normally incur personal liability at law, provided that you make it clear that all dealings are with the company. You should however consult your professional body as to whether it might constitute a breach of that body's rules for you to practise through the medium of a company which does not have the backing of a professional indemnity insurance.

Market value

I found the letter under "Sons should counterpoint" (February 14) and your response very informative. No mention was made however of the value of the gift of shares for inheritance tax purposes. Would this value be the market value of the shares at the time of transfer or the original cost (including any loss on sale)? Para 25 of the *Income Tax Act 1972* states that the value of the gift is the value at the time of transfer, but this has been overtaken by later events.

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The market value at the time of transfer (for listed shares).

cannot, therefore, hold more than one club, so South crosses to the king of clubs, and then finesses his knave, knowing that it must win.

We turn to "The Secret is in the Timing".

N	E
♠ 10 6 5	♠ K 6 4
♥ 8 4 2	♥ K 9 8 2
♦ 10 4	♦ J 7
♣ 10 9 8	♣ A 7 3 2
♣ 10 4	♣ 10 6 5 3

With North-South vulnerable, West deals, and after three passes South opens with one spade, to which North replies with one no trump.

South rebids three diamonds, North gives primary preference with three spades, and the opener bids four spades.

West leads the knave of hearts, which runs to the queen, and the declarer takes stock. He assumes that trumps will break three-two, but he must cater for his fourth diamond in case that suit breaks four-two. He wants to be able to ruff the last diamond, if necessary, but the opponents must not be allowed to play three rounds of trumps, and it is essential to prevent an opponent with only two trumps from overruffing a diamond. What, then, is the correct timing?

It is clearly a mistake to draw two rounds of trumps before playing on diamonds, and it is also fatal to cash three rounds of diamonds prematurely. This would allow East to overruff dummy when the fourth round is played. The correct timing is to duck a diamond at trick two. When South regains the lead by ruffing a heart, he cashes ace and king of trumps, follows with ace and king of diamonds, and can ruff his last diamond with dummy's ten.

E. P. C. Cotter

Robin Lane Fox welcomes the newer vegetables

Growing diversity



I WONDER if any amateur gardener has managed to keep up with all the vegetables which the breeders have invented in the past 20 years.

A thoroughly modern allotment would seem rather bizarre, but perhaps there is one somewhere, a piece of ground where some onions can be pulled up and munched like apples and others are of the football variety, weighing 6 lb each; where the runner beans grow, two feet high and need no staking; the radishes are white, Japanese and a foot long; the beetroot tapers like a parsnip; the courgettes are curly and butter-yellow; the lettuce is called Wallop (because it packs a 15 lb punch); the Brussels sprouts produce sprouts up the stem and a dual-purpose cabbage on top; the carrots look like bright orange tennis balls; and the cabbages are the new Japanese Kyoto variety, incredibly long and slim, of which I agree with the gentleman from Newport who writes in *Thompson and Morgan's* catalogue that they are so damnable prolific that they cannot be given away quickly enough and are the seedsmen's substitute for trifles. Before long, cauliflowers will be orange, doubling as cabbages, and beans will be Heinz-coloured, bearing tomatoes for their own sake.

One response to this rush of research is to drop one's stick to the old, proven varieties. At Convent Lane, Bocking, Braintree, Essex, the Heritage seed catalogue of H. D. R. A. Sales has been offering only the varieties your "grandparents" would have recognised. You will find very few F1 hybrids, but you will be tempted by enticing Italian chicories and endives, Long Black Spanish Radish, and beetroot called Chantenay Green up whose flesh I find to be a reassuring shade of dark red.

Nonetheless, Heritage seeds are not simply the seeds from long-lost allotments, worked by pensioners in baggy striped trousers and braces. Even this traditional list welcomes a wide European range; there is, I think, a lesson for those who protest most.

For protests have been abundant. When we joined the EEC it became illegal to sell seeds of many old and well-loved varieties. Lists with North Country onions and registered cabbage were liable to seizure and absurd fines;

hundreds of varieties disappeared from the market in fright.

Having driven out the British vegetable, the bureaucrats then tried to drive out familiar names. Brussels-Sprouts became a Dutch mouthful and cabbage-bolts to four syllables in German. It seemed like insanity, but 15 years later it has turned out differently. Neither the EEC nor the bureaucrats can claim any shred of credit, but vegetable lists are wider, newer and more rewarding than anyone thought likely in the mid-1970s.

I have come to the conclusion that the old British variety was usually a pretty dull performer. Alison Craig may have known her onions, but most of our favourites were overdue for acceleration, enlargement and a general jazzing-up. That jazzing has been happening rapidly. Seed lists have become more global, bringing the best performers from Japan, America and Germany. The hybrids have been ingenious and practical, and praise must also go to our National Vegetable Research Station, which knows what gardeners want in short, the vegetable kingdom has been shaken up.

Diehards still complain that the shaking and jazzing has costs us all flavour. I think this complaint is nonsense. I can not believe that the new, stirring Runner Beans, Butter and the freezable pea Multistar are any less tasty than their grumpy old British predecessors. Although seasons and tastes vary, I have had nothing but praise for them all and they grow and crop extra-

ordinarily well: they flourished in the difficult weather of last year's allotment season.

Instead, I look forward to the day when conservationists divert their concern from flowers to green vegetables and question the very roots of their approach. Fifteen years ago, I might have joined their chorus, but then I remember the one green vegetable which is really worth a gardener's while, even if he lives next door to a Pick-Your-Own farm.

Where, in the 1980s, could you buy a decent mange-tout pea, the type which you eat, pod and all, when young and juicy? I remember the tales of them which friends brought back from luxurious restaurants, but nowadays the seeds are common—currency to improve. The superb American Sugar Snap was good enough, because the pods were still edible when they had yellowed with age; in 1994, America added the low-growing Sugar Ann, which does not even need pea-sticks and is a heavy cropper; Thompson and Morgan of Ipswich have now imported the very reliable Oregon Sugar Pod and the low-growing Astor, both of which will flourish in dry summers as well as the usual year of British cloud. You can eat the pods raw, steam them or store them and freeze them.

By breeding and testing, peas have improved beyond recognition and the EEC's silly rules have simply been irrelevant. It is still only 1987, but progress and world-wide exchange are making the "Heritage" refrain seem very out of date.

Arthur Hellyer on some unexpected survivors

Hardier than you think

WALKING through the garden of Wakehurst Place a few days ago, I noticed that the nice specimen of *Podocarpus salignus* beside the rock garden was completely undamaged by frost or snow (and we have had plenty of each this winter in Sussex). This podocarpus is a beautiful Chilean tree that one might describe as a little like a weeping willow turned evergreen. Although very attractive, it has always been a rarity in British gardens—mainly, I think, because it is regarded as too tender to be reliable.

I planted it myself a few years ago, managing to obtain a small plant from the Burncoose and Southdown nursery near Redruth, Cornwall; but I was so uncertain of its ability to survive that I gave it an extra-sheltered place among quite large trees, which starved it so much that it has grown very little. Now, I have moved it into a much more open place where the soil is good and the competition minimal, and I shall hope for the same success as at Wakehurst. I see that Burncoose and Southdown still list it but as *Podocarpus chilensis*, which must be a misprint for *P. chilinus*, an old and now-discarded name for the species.

That little incident set me thinking about other trees which are probably hardier than is generally supposed. There are, for example, the two paulownias, *tomentosa* and *jargessii*, which I never dreamt of planting in my distinctly cold garden until I saw a fine batch of young plants in Goatcher's Nursery at Ashington, Sussex, and was told that they had been raised from seed by an amateur in Steyning. Neither place is noted for warmth in winter so I came home with two plants, one for my own garden near East Grinstead, and the other to be tried in a Jersey garden.

Both have survived, but the Sussex tree has made more growth even though it is in a very exposed position entirely open to the east. Neither has flowered yet, but I do not despair of seeing the beautiful spires of bloom in May, rather like heliotrope-coloured hyacinths. Even if they never come, paulownia is still worth growing as a foliage tree with big, almost-circular leaves remarkably like those of catalpa. In fact, the two trees are so similar in growth and, superficially, in flower style that it comes as a surprise to find that they are completely unrelated.

It is easier to buy *Paulownia tomentosa* than *P. jargessii* but, the latter is better suited to the British climate. I would not be certain that my trees are not *P. jargessii*, for the two species are so much alike that I have never been able to distinguish one from the other; perhaps Goatcher's Nursery had the same difficulty. But I would advise anyone with a taste for a little horticultural adventure, and room for a fast-growing tree that will submit to quite drastic pruning, to try either, but with preference for *P. jargessii* if available.

I find the public neglect of *Koeleria paniculata*, much more difficult to explain, for no one has ever called it tender.

They would sell more trees. Perhaps, though, they fear it would then be confused with laburnum, which is popularly known as golden chain.

Whatever the truth about its neglect, it is worth planting for foliage alone, which is delicate ferny and has an intriguing colour progression—from deep red as the leaves unfold, to pale yellow and then light green, but retaining a red tinge through autumn. Even the seed capsules are quite attractive: marble-shaped and pink, becoming brown when ripe.

Victorian gardeners were fond of training *Magnolia grandiflora* against sunny walls, and this has undoubtedly contributed to the belief that it is too tender to be trusted in the open. Very severe frost will certainly damage its large laurel-like leaves; but that is true of many other evergreens that are commonly planted outdoors in Britain in what but the coldest places, and *Magnolia grandiflora* is undoubtedly the most handsome of all evergreen trees that could be considered for this purpose.

The flowers are spectacular: great white bowls, rather like water-lilies, and coming in late summer. Unless the situation is warm and sunny, there are unlikely to be a lot of them. Perhaps that was one reason why 19th-century gardeners preferred to plant this magnolia against warm walls.

There are several selected garden varieties, of which Exmouth is probably the best, but there is not much to choose between this and Goldfish. One great advantage of buying a named variety is that it will have been propagated vegetatively by layering or grafting, not by seed, so increasing the chance that it will start flowering while still fairly young. Nevertheless, do not expect flowers for seven or eight years and plant this splendid North American magnolia primarily as a foliage tree. It is readily available.

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THE TOP PENNY SHARES OF 1986

Holder	From	To	% Gain
Owen & Owen	49p	47p	+831%
Robinson	20p	20p	+813%
Thames Valley	24p	13p	+441%
Dunk Group	25p	12p	+389%
Burnside Int	20p	91p	+355%
Audiovision	4p	18p	+350%
Paul Michael	13p	65p	+348%
Edison	10p	30p	+300%
Campani Int	20p	107p	+4311%

Prices as at November 1986 - includes adjustments for rights, scripps etc., but dividends not included.

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Anthony Greenstreet looks at an era when farm workers had it tough

The hard labourers



Treasure Trove

CONSIDER THE citizens ranked on the platform at Bank or Moorgate. Three or four generations back, their ancestors mostly worked the land for 50p a week. Edmund Blunden described them:

"These were men of pith and they
Whom the city never called.
Scarcely could read or hold a quill
Built the barn, the forge, the mill."

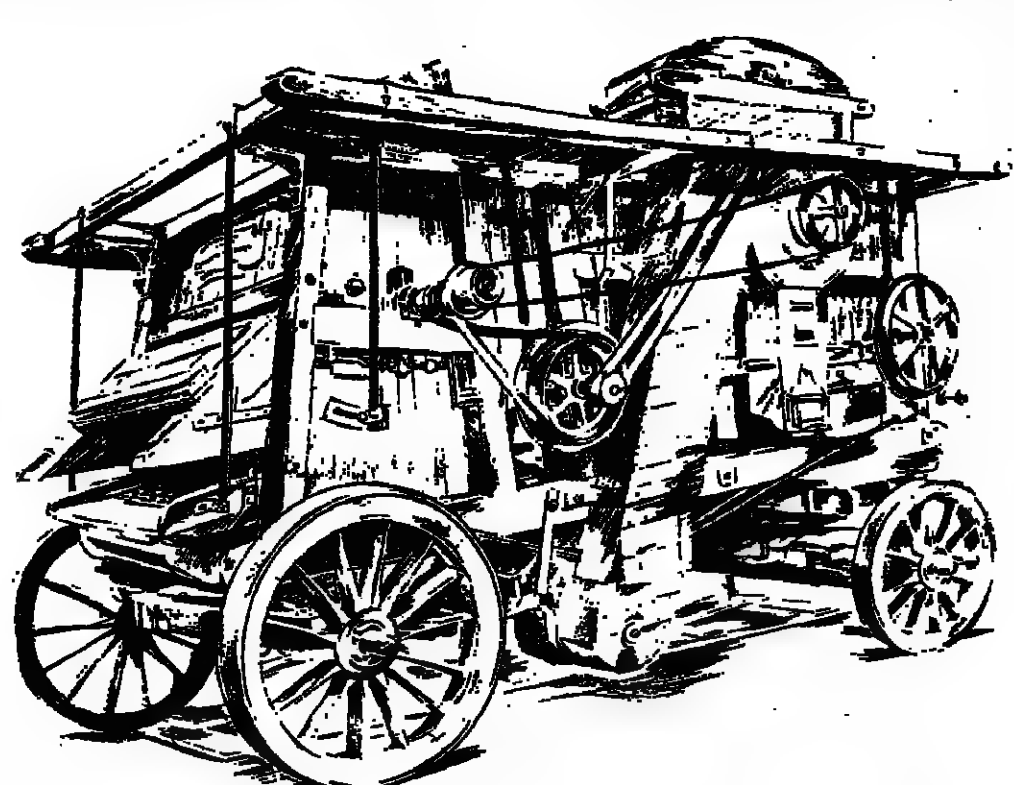
The museum of English Rural Life, established in 1951 at Reading University to keep a record

of the old agricultural order, gives us a glimpse of a way of life before farm mechanisation largely wiped it out in the decade after World War Two.

In the display of farming handtools are implements—sickle, scythe, prong, hayrake, crook, sheep shears—which we recognise, if have never used. But the flail is different. Could anyone in England now thresh grain out of corn with these two lengths of sick joined by a thong and swivel? Men threshed in the barn when it was too cold or wet for other jobs; and a strong, skilled thresher might earn 10p a day. But the tedium was appalling, as John Clare tells in *The Shepherd's Calendar*:

"The thresher dull as winter days
And lost to all that spring displays
Still mind his barn dust forced to
Swing his flail round w/ weary hand."

When several men threshed together they relieved the monotony by singing changes with their flails as if ringing bells; or a man held a six inch straw in his lips and tried to brush his end with the flail without cracking his skull.



A threshing machine from 1900... they took the backbreaking toil out of farming but emptied the fields of people

The farm wagon collection has 20 fine four-wheelers. Brightly-painted, built to match local land conditions (though the Cotswold design was considered pre-eminent).

Tragedy lies in the display of farm machinery in the Ramsgate Hall. Early in the 19th century, agricultural labourers were driven to destitution. Their common land had been enclosed; and with the ending of the Napoleonic wars, the reduced demand for corn forced weekly pay down to 35p. Now came the introduction of threshing and winnowing machines, choking off winter barn work. An 1827 Act ordered seven years transportation for the destruction of a threshing machine. But in southern England in 1830, desperate labourers rose to break machinery and increase wages.

They were utterly defeated. Judge Alderson, who sentenced several to hanging and many more to transportation, gave two convicted labourers an economics lesson: "You are both threshers and you might, in the perversion of your understanding, think that machines were detrimental to you. Be assured if they are profitable to the farmer, they will also be profitable to the labourer though they may for a time injure him." But the riots helped back mechanisation for 20 years and by the 1850s railways and steamships helped surplus

farmer growing further away from his employees as profits from consolidation of farms and mechanisation destroyed any companionship of the classes. John Clare noted in 1825: "And the old freedom that was living then When masters made them merry w/ their men All this is past."

Flora Thompson in "Larkrise" showed how wide the gap had grown by the 1880s: "The men trooped to the farmhouse for their wages. These were handed out of a window to them by the farmer himself and acknowledged by a rustic scraping of feet and pulling of forelocks." In 1821 William Cobbett observed: "When farmers become gentlemen their labourers become slaves."

For me, the museum brought back memories of adolescence in wartime Dorset. I recalled the swing and teamwork, like a well-tuned racing eight, around a wagon in the harvest field. Ahead went Fred (a peace-time waiter at The Grand, Torquay), his prong laid down the eight-sheaved stooks in parallel rows. A mute Landgirl led the horse between them. Fitching up the sheaves on the far side was Fortunate from Florence in his chocolate-brown prisoner-of-war uniform. And building the load high on the wagon was our captain, Catherine Haines—once, as Julian Amery's autobiography recalls, "a tough Eton-cropped young lady who kept an even steady state; now a hard-tongued, sweat-stained peasant. I remembered those swaying wagons almost hidden by the loaded corn—just as they were painted in noon heat or in the evening in Madox Brown's *Carrying Corn* or Samuel Palmer's *Harvest Moon*."

● The museum of English Rural Life, University of Reading, is open Tuesday-Saturday 10 am and 1 pm and Sunday 10 am. Tel. 0734 875123.

Silver's style still shines

Susan Moore visits the Brighton Art Gallery to see some of the best in Art Nouveau

LIBERTY'S Peacock Feathers may be knotted under more chins and draped across more shoulders than any other Liberty print, but how many people realise that it was designed over 100 years ago by Arthur Silver? It is just one among thousands of designs for textiles, wallpapers, carpets and metalwork that emanated from the design studio started by Silver in west London in 1880.

By the early years of this century furnishing textiles and wallpapers made to Silver studio designs by manufacturers in London, Glasgow and northern France, could be acquired in department stores from Vienna to Chicago.

While the studio's work obviously influenced Continental Art Nouveau, it did not apply the term to its own designs. Rather they were "quaint" or "flair" or "modern," the exaggerated Art Nouveau developed by Rennie Macintosh and his Glasgow colleagues was considered thoroughly decided un-British. More than 170 designs (1885 to 1910) from the Silver studio archive, at Middlesex Polytechnic are now on show at Brighton Art Gallery and Museum, until March 29.

To emphasise the single most important influence on Art Nouveau—Japan—the galleries are hung with Japanese-style banners made of Peacock Feathers and Harry Napper's *Tea of 1900* (reissued last year by G. P. and J. Baker). The opening up of Japan to Western trade in 1858 provided both European artists and designers with a new source of inspiration. Delicately drawn chrysanthemums appear in the first Silver design on show, while a later design of 1888 is almost a straight reproduction of a Japanese pattern. (Silver subscribed to *Bing's Artistic Japan* from 1889-92).

Here are waterlilies, apple blossoms, flattened forms and a new structural simplicity in the sinuous scrolling of lush stylised flowers. Alongside the "greenery-gallery" Grosvenor Gallery colours favoured in the 1890s and 1900s—terra-cotta, sage green and ochre—are the purer blues and pinks preferred by Napper.

Other influences are apparent. Designs echo the work of Walter Crane, Christopher Dresser and William Morris. Morris's

sources, the historic textiles in the South Kensington Museum (now the V and A) were also studied by Silver Studio designers—Italian Renaissance brocades, Persian patterns and 17th-century embroideries. For his designs for Liberty pewter Archibald Knox looked to Celtic ornament as well as Ashbee's Guild of Handicraft metalwork.

Brighton has supplemented this loan exhibition of designs, seen in Glasgow last year, with a complementary display of objects made to Silver studio designs, drawn from public and private collections. There are textiles by Warner, Liberty Art Fabrics, silver and pewter from the Cymric and Tudric ranges produced for Liberty from 1898, largely by Knox. The show provides no greater contrast than the attenuated, organic forms of the highly polished silver, inset with brilliant enamels, and the deceptively simple "squashed" pewter, with its rough surface texture. These workaday objects are some of the most satisfying on view.

"Photographs" by Bedford Lemaire preserve for posterity these multi-patterned, modest Art Nouveau interiors, where bold rhythmic wallpapers of full-blown blooms vie with deep landscape friezes and elaborate pierced fireplaces. Potted plants, brackets and gargantuan pieces of gloomy furniture have been swept away; only by the early 20th-century was a lighter impression given by the tender greens and mauves of sparsely decorated interiors.

Until the 1870s, interior decoration had been the exclusive preserve of the upper classes and the upholsterer. (One upholsterer had lamented that a middle-class housewife "would as soon have weighed a chair than consider its style." But Art Nouveau and the Silver studio evolved alongside the Arts and Crafts movement in a climate where, for the first time, the aesthetics of interior decoration and furniture were considered by a substantial proportion of the population.

Growing numbers of journals, catalogues and outlets—such as new department stores like Whiteley's "The Universal Provider"—catered to the increasingly prosperous middle classes. Style and taste in the home became every bit as important as durability and function. That people today are still covering their sofas with fabrics designed in the late 19th century is less a proof of the conservatism of British taste than of the durability of good design.

Collecting

Enamels of excellence

BATTERSEA ENAMELS have attracted connoisseurs and collectors for more than 200 years. It is odd, then, to realise that the little Thames-side factory that produced them scarcely lasted that number of weeks.

It was established early in the 1750s by Stephen Theodore Janssen, a London alderman who was Lord Mayor in 1794 but became bankrupt two years later. Selling up his effects, the auctioneer described "a quantity of beautiful enamels, coloured and uncoloured consisting of snuff-boxes of all sizes of great variety of patterns, of square and oval pictures of the Royal Family, history and other pleasing subjects... bottle tickets with chains for all sorts of liquor, and of different subjects, watch-cases, toothpick-cases, coat and sleeve buttons, crosses, and other curiosities, mostly mounted in metal, double gilt."

The art of enamel goes back to ancient Egypt. It consists of covering a thin sheet of gold, silver or most commonly copper with a coating of powdered flint glass and

partner in the Battersea Enamel Works, along with another high-living Irishman, Captain Henry Delamain, who provided the expertise in ceramic chemistry to go with Brooks' skill in engraving and transfer-printing.

With the closure of the Battersea factory the enamel industry moved to Bliton in South Staffordshire and to Birmingham, 12 miles away. The consequent migration of the out-of-work artists and craftsmen from Battersea to the Midlands often makes it hard to distinguish the work of the different factories.

The Midlands factories, however, developed their own styles and achieved standards in no way inferior to Battersea. In the later Georgian period there was a huge market for "trifles" for the new tourist trade, which the enamel works supplied in the form of novelty bonbonnières—tiny boxes stamped out and enamelled to resemble birds and animals.

The auctioneer of poor alderman Janssen's bankrupt stock described Battersea enamels as "very proper ornaments for cabinets of the curious"; and Horace Walpole owned a collection. Since then collectors have never lost their enthusiasm for these small, exquisite and highly decorative items. One of the finest collections, now in the Victoria and Albert Museum, was formed by the omnivorous Victorian connoisseur, Lady Charlotte Schreiber.

The old collectors tended to prefer the larger objects—boxes, plaques, candlesticks, etuis, with the transfer prints in marvellous monochromes of pupae and snails or so exquisitely hand-coloured that they looked like miniature paintings. The little "trifles," the comical dogs and canaries and blackamoor heads of the later period, were regarded as marginal novelties. Currently there is a reversal: Sotheby's say that in the last five years the trifles have trebled in value, while that of the larger and more scholarly items have hardly changed.

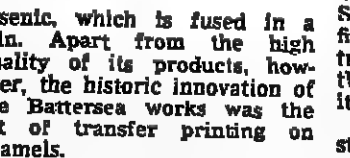
It is still a reasonably accessible. The finest object in the Mullens collection, which Christie's is selling on March 18—a large, early Birmingham casket with comedia dell'Arte scene after Watteau—has a top estimate of £8,000; and a lot of pieces are estimated below £400. The collection was formed by Sir William Mullens (1908-1977) who was Prime Minister of the Goldsmiths' Company in the year he died. His special interest was in the links which can be traced with transfer prints on English porcelain of the period.

Mullens's special achievement as a collector was to gather together such important sets of Battersea portrait medallions of George II and his family and of the Gunning sisters, which had become accidentally split up over the years.

Mullens once told Bernard Warney, the authority on English enamels, who contributes a foreword to the auction catalogue, that he would "rather put money into enamels than into stocks and shares."

Coming from a man who was Government Broker, it is a view that carries no little weight.

Janet Marsh



A Birmingham commemorative enamelled snuffbox from 1761

arsenic, which is fused in a kiln. Apart from the high quality of its products, however, the historic innovation of the Battersea works was the art of transfer printing on enamels.

This technique involves first engraving a design on a printing plate. An impression is then made on tissue paper, which is immediately laid on the item to be decorated, so that the still damp ink is transferred to the glazed surface. The item is then refired. Simple as the technique may sound, the printers and potters of the 18th century had to solve enormous chemical and technical problems to produce impressions as delicate as those which appear on enamels.

The invention of the technique, revolutionary for the British ceramics industry, has been much disputed in the succeeding centuries, with the Liverpool engraver John Sadler generally receiving credit for it. Nowadays, however, the strongest claimant seems to be Alderman Janssen's Irish partner, John Brooks.

Born in Dublin in 1746, Brooks was working as an engraver in London. He was in Birmingham in 1751, the year he applied for a patent in the transfer printing, claiming "that the said art and method is entirely new and of his own invention."

In 1753 he became Janssen's

Archaeology

Picking up the pieces



Petros Petrakis with a pitcher he had just mended

MENDING THE broken dishes is an essential part of archaeology. From broken pots we date early man and learn about his daily life, society, economy and—sometimes—religion and art. To achieve this a pot-mender is needed.

Petros Petrakis, who died suddenly last month, was pot-mender for British diggers in Greece for 33 years. He mended thousands of vases, in a life that took him from end to end of Greece, wherever the British put a pick in the ground. For my dig in south Crete—extraordinarily prolific in broken dishes—he once put together 400 pots in a month. Though I have not learnt to mend, he taught me much of what this satisfying and constructive craft is about.

The biggest problem is to find all the pieces. The diggers must make sure that the sherds are collected in the trench and sent back to the potsherd. There they are cleaned with water, and often a 10 per cent solution of hydrochloric acid to take away lime deposits. They dry. Then mending begins.

If a whole pot is recognised for what it is during the digging, it is much easier. It can be mended quickly to go to cataloguing, drawing and photography. But often what is sent down as whole turns out on washing to have gaps. Or there may be parts of several vases, especially if a pot store is being dug or a group that was together originally on a floor.

To get all the pieces of a pot, strewing on large trestle tables is essential. The sherds are separated by fabric (fine, coarse, cooking pot, etc) and shape and decoration. It is also a game of heads, bodies and legs. Rims go to the top of the table, bases to the bottom and body sherds in the middle. The sherds should be strewn so that each one is visible. They are taken for a walk around the tables to see what matches or joins. Each sherd is pencilled on the back so that its origin is not forgotten. At Knossos, for example, the tables are separated by fabric (fine, coarse, cooking pot, etc) and shape and decoration. It is also a game of heads, bodies and legs. Rims go to the top of the table, bases to the bottom and body sherds in the middle. The sherds should be strewn so that each one is visible. They are taken for a walk around the tables to see what matches or joins. Each sherd is pencilled on the back so that its origin is not forgotten. 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Mike Strutt goes camping with his pick and choice of tents

Pitched in wind, rain and hope

THOSE WHO are wedded to their comfort-loving ways may find it hard to believe that there is a growing band of ardent campers whose idea of perfect bliss is a holiday under canvas (or, more probably, under nylon). Never mind our so-called temperate summers, the wind, the rain, the unrelenting thousands are setting out with hope in their hearts and a tent in the car boot.

You may feel that now is not the ideal moment to be even thinking about sleeping out-of-doors but it pays to be wise—last summer inexpensive tents were selling almost as fast as they arrived upon the shelves and Argos, the catalogue show-room chain, says its tent sales keep on going up and up.

So if you think that this year may be the summer you venture under canvas, now is the time to take your pick. You can pay as little as £25 or as much as £800 for a family tent with a separate cooking area.

If you haven't bought a tent for some time you'll be pleasantly surprised by the prices but probably bewildered by the choice. You should start by going to camping and outdoor equipment specialists such as the YHA Adventure Shops, and Field and Trek.

Then you should make quite sure you know for what you want to use the tent. Do you need a bivouac for two for the occasional weekend, or comfortable space for several people for two or three weeks?

Will you be camping only in the summer, or also at other times of the year when you'll need proper weatherproofing? Will you be using it on comfortable, all-mod-con campsites or in the mountains? Think about storage space—you will probably need much more room if you're taking scuba diving kit than simply backpacking with a single change of clothing.

Tents fall broadly into three categories. For summer trips in

mild weather, or to keep children happy for an overnight stay in the garden, there are plenty of inexpensive standard ridge tents, often from the Far East, and usually made of cotton. You could get one of these for under £50.

For serious camping, especially by people on the move such as walkers, climbers, cycle tourists and mountaineers, there is a huge variety of lightweight tents in many shapes and sizes and costing about £50-£300.

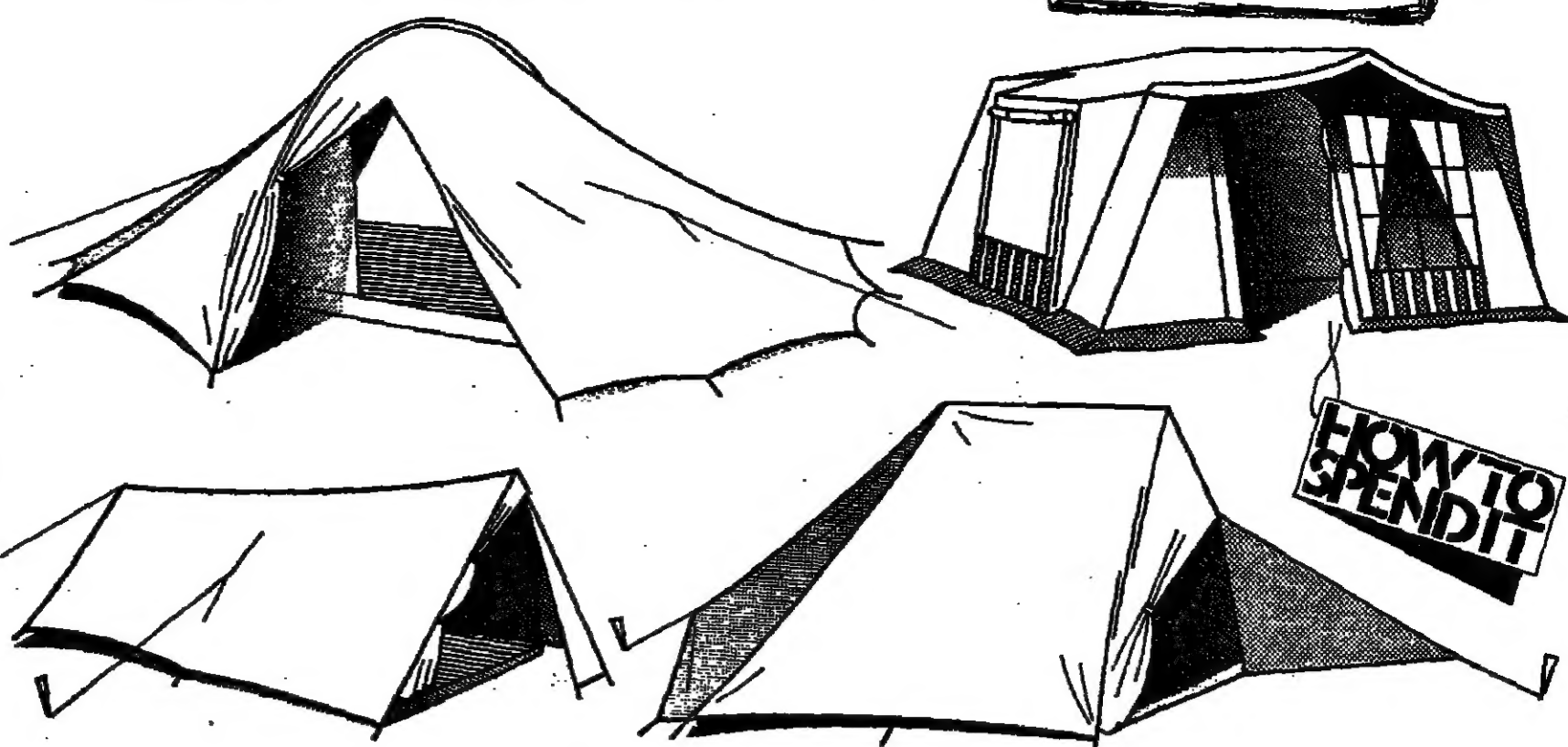
And, third, there are large-frame family tents with wind-downs, "bedrooms" and other mod cons for those who like to camp in comfort on a site. These are generally made of cotton and priced from £250-£600 for very large ones.

Strong ripstop nylon has become the norm for lightweight tents but cotton is far from outmoded in the real outdoors. It continues to be used, notably for Vango's tough Force Ten ridge tents (£150-£250), which families, youth clubs and expeditions take everywhere.

Tents are usually described in brochures as Two Seasons, Three Seasons or Four Seasons, a code indicating their suitability for spring/summer use; spring, summer and autumn; and year-round use.

This is a good guide to a tent's capabilities and weather-proofing qualities and a partial one as to whether a particular model is likely to stay put in a gale or cope with the weight of snow in a blizzard. The code will help you decide whether you are buying something too basic or elaborate for your needs.

Some of the inexpensive tents should not be dismissed. The aggressively named Combat range, made by Lichfield, is Design Centre listed and includes the Combat 1 (which sleeps two) at only £35 and Combat 3 at £47—both good-quality two-season tents. The



Top left: Saunders Space-packer with access both sides (£215). Top right: Relum seven-berth Super 7 (£300). Above left: Vango Force 10 (£150-£250) and Caravan Kaipak 2 (£110)

Combat 5, which sleeps five, is very good value for a group or family at about £70.

Shape is important. Small tents with sloping sides usually have too little room to sit up in properly except in the centre, while several people can sit comfortably around the sides of a dome. Some designs ingeniously add more awning

space for cooking and storing gear, and others can be put up more quickly when the weather is bad.

Speed is a case in point. If you plan to go camping only once in a while, or stay two weeks in the same spot, it will not matter whether it takes 20 minutes to fit everything together and put the tent up.

But to pitch somewhere new each night, perhaps in bad weather, requires a tent which can be put up easily.

Two features are worth looking for: tents which pitch flysheet first, so that you can shelter while erecting the tent inner; and shock-corded poles, in which the individual sections are joined by elastic cord.

These need only a shake or two to spring into an assembled pole and the pieces cannot be lost.

Size is a serious matter so don't wait until you're on the road to find out your tent is too small. The description 1-2 persons means exactly that and to sleep two for more than several nights demands that you had better be on good terms.

For instance, Saunders' ultra-light backpacking tent, the Jet Packer (weighing only 3 lb) comes in 1-2 and two-person (£159) versions. And Saunders' two-person Space packer with its single transverse hoop pole also comes in two sizes. Prices are about £115-£215. These Saunders' solo and two-person tents are also sold to cycle tourists by Freewheel as Pakit 1 (£125) and Pakit 2 (£160).

Another good-quality 3-4 season tent, and keenly priced, is the Caravan Kaipak 2, a transverse ridge design costing about £110. A larger model, sleeping three (Kaipak 3), costs £125 while Lichfield's three-season Sherpa sleeps two for £105.

To sleep four, the very roomy Lichfield Beaver dome design has a three-season rating and a door sheltered by a canopy. About £255.

In the Phoenix range, catering for the solo backpacker or cyclist through to families and expedition groups, the single-hoop, A-frame and geodesic designs include the two-person Phreak (£130) and roomy Phreedom also for two, at £180.

Price is not the only guide and you may be able to find what you need without paying for all the extras in an all-weather tent. For example, Vango's two-season, six-sided

dome, the EN186, sleeps three—with room to sit comfortably—and costs only £80.

The roomy large-frame frame tents, which the French turn into an art, are harder to find in Britain nowadays because of the weak pound. And now that there are packaged camping holidays abroad where the tents are already pitched and waiting, many campers can spend a few weeks under canvas without needing to buy their own.

But if you do think about buying one of these, they are robust and make a long-lasting investment (up to 20 years' use) for families and groups who want to stay where they please.

They have extra features compared with lightweight tents: the extra weight, up to 50 lb and more, and bulk, are less important when they only have to be carried from the car or trailer. There is full standing room, a kitchen area, and PVC windows with curtains, creating a home rather than a shelter.

The main British maker is Lichfield, whose range will happily take four to eight people. There are models with a front canopy, rear door, and

Tidy ways to take up your tent and travel

Weight and bulk are the two problems when transporting tents. If you walk or cycle solo, then 5 lb or so is about top weight since the tent is about part of the load. But two people can divide the weight of heavier one, say, six to seven lbs, one could carry the inner section, the other the flysheet and poles.

Motorcyclists can carry a 15 lb tent without difficulty. Both cases, look for poles which reduce to short sections—shock-corded poles are useful here—so that everything can be folded stowed.

Taking a large tent by car can be awkward if you do not have a big estate or hatchback. Racks for modern cars without roof gutters are pricey if you have to buy one specially.

A practical solution for regular trips is to tow a 5 ft x 3 ft camping trailer—cost about £170—which has its own roof gutters. Ferry costs are higher though because of the extra overall length.

panels which can be zipped back in fine weather.

But while French tents are not much in evidence in the UK you can find a range of well-made and keenly-priced tents from Czechoslovakian under the Relum label.

Relum's large three to seven berth tents cost from about £120 to £350 and sell with and without kitchen sections or canopies. Also from the same maker come very handy four and six-berth ridge tents at £25-£100.

To find the various makers' ranges you will need to ask around.

Addresses: Crystal Palace Camping Equipment, 5-7 Church Road, London SE19 1E (01-658 6890); Crosliey Torde Camping Equipment, Newgate, Pontefract, Yorks (tel: 097 702002); Field and Trek, Shop at 23-25 Kings Road, Brentwood, Essex and 3 Palace Street, Canterbury, Kent. Mail order: Waters, 11, Brentwood, Essex (0215 971) (tel: 0277 233122); Freewheel, Shop: 275 West End Lane, London NW8; Mail order: PO Box 470, London NW2 (tel: 01-450 0788); YHA Adventure Shops, in London, Manchester, Birmingham, Bristol and other cities (tel: 0784 58625).

Lucia van der Post is on holiday

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Edmund Penning-Rosell looks at the 1986 growths

Vintage outlook is set fair

THERE IS certainly too much wine floating round the world. Are there now too many successful vintages? Standards of wine production are rising everywhere as shown, for example by the very palatable French vins de pays, mostly from the south and mid.

Yet the falling consumption in producing countries such as France and Italy is not matched by rising wine drinking habits elsewhere. Good wine is more of an encouragement to drink than bad, and good wine is more likely to come from successful harvests than from poor ones.

Most of us when we think of "vintage wines" contemplate something rather grand: closed, growth claret or estate-bottled German wines. But all wines, even if blended, come from particular years. The "house" claret, the own-label Côte-du-Rhône or the modest Chianti should taste more agreeably from a "good" year. Last year's Beaujolais Nouveau was nothing like so downable as the previous one.

However, reports from the vineyards indicate that 1986 was a favourable wine year in western Europe.

As we buy an enormous amount and a great variety of wines from France, its vintage results are critical throughout the country just before the vintage: torrential in Burgundy, Bordeaux and the Rhône, and drenching in the Loire.

This caused serious problems for growers almost everywhere.

If they waited not might spread, as it did in Chablis, and who knew if it would rain again? Many growers started picking in around the last week of September, when the grapes were to some extent still affected and diluted by the rain. Those producers made less fruit, thinner wine than those who had the courage to wait.

Good, ample crops were brought in throughout France, but there were considerable variations in quality. In 1964, when it rained for a fortnight from October 7 everyone claimed to have picked early. In 1986 we may expect widespread assurances of "Mon-sieur, we picked late." Consumers wondering whether to buy superior 1986s in opening offers must rely on careful selection on the spot or in London trade tastings by trusted merchants from whom we are accustomed to buy.

In Alsace picking starts seriously in October and does not finish until at least well into November. So September's torrential rain had dried off, but contributed to a large, sound vintage of reliable wines: not another 1985, but still welcome, and prices are reported lower.

In Burgundy, as was clear at



WINE

The Hospices de Beaune and Hôtel de Ville tastings in November, the whites are very much better than the reds, which often lack fruit. The whites are excellent, some as good as the fine 1985s. But the red 1985s have increased their reputation in a region where leading vintages occur much less frequently than in Bordeaux.

Burgundy drinkers who have not bought their 1985s should look at merchants' lists now, because any re-buying will be at higher prices, if only because of the fall in the exchange rate.

The 1986 crus Beaujolais are light and inferior to the 1985s, but there are said to be some good Chalonais 1986 reds, from Givry, Rully, and Mer-cure. The white Macons, headed by Pouilly-Fuissé, are reported to be excellent. It all depends on when they were picked.

The Rhône had an average year after the important 1985s. There are not many off-years there, and a lesser reputation may result in attractive prices for reasonably fast-maturing wines.

It is hard to generalise about the Loire. Muscadet is produced in an Atlantic climate near the mouth, while Sancerre and Foully-Fumé in the upper reaches are affected by warmer weather. The Muscadet, picked early, may be less good than in 1985, but the upper-river wines will be better, with more acidity than in the hot vintage weather of that year. The rather light red Touraine and Anjou wines will not be so good as the fruity 1985s, and the sweet whites less successful.

For those wondering whether to buy the 1986 clarets en primeur, the problem may be price rather than quality. After the driest summer for over 20 years and sweeping rain in

much of the Gironde in mid-September, slightly delayed picking produced yet another record crop. There must be difficulties in selling the fourth good, large vintage in five years, and this should lead to lower prices.

In Champagne, although 1986 is unlikely to be a vintage year, the trade secured the result it wanted: a big crop to follow the small, inadequate 1985 one. As 70-80 per cent of champagne is a non-vintage blend of more than one year, the infusion of 1986 will be satisfactory.

Elsewhere in western Europe the vintage was average to good in quality and large enough in quantity, with a few exceptions. In Italy production varied from average in the north-east and Lombardy, to more plentiful crops in Piedmont, Tuscany and Sicily. The Chianti vintage, now more closely controlled under the garancia status, is reported as good. Bad summer weather in Umbria cut the volume, but quality is good there as well as in Trentino/Alto Adige and the Sicilian vineyards.

In Germany the situation is very different. After the diethylene-glycol scandal, which severely affected exports, there was a disastrously small crop

in 1985. Last year a fine crop was badly needed, but although it was almost double the 1985 volume, about 75 per cent was Qualitätswein, which is almost all sugar. There was nearly 20 per cent Prädikat wine. Nor has the high value of the Deutschmark helped. A really fine 1987 must be hoped for.

Spain also suffered from torrential pre-vintage rain, especially in Jerez where the streets were flooded. This caused rot, so that the vintage was nearly 20 per cent down. There is no shortage of sherry, but the vast surpluses of recent years have been largely eliminated by planned reductions in production and stocks.

Elsewhere in Spain the harvest was broadly average in quantity and quality, though lower than in 1985. Rioja and Navarra made less wine owing to poor weather at the picking. With a less volatile climate than further north, Spanish wine output is normally fairly consistent as it was last year in Península, but very heavy in Valdepenas, a region we are likely to hear more of as it seeks outlets in the EEC.

Port suffered a disappointment in the Douro Valley last autumn. After a very fine summer there were prospects of a 1986 vintage declaration. But in September the rain teamed down and only an average quality year is in prospect. So it now looks as if the vintage year will be 1985. Rain also spread all over Portuguese vineyards, although in this climate the effects were less serious than further north.

everything from yams to pig's lights. There is even a loving photograph (from above) of a glass of brown ale. It gets your juices and enthusiasm going better than I can and, dare I say it, better than Elizabeth David, M. F. K. Fisher or Jane Grigson. Their best bits, the bits we read over and over again, are when they get us going and honestly good pictures manage that kind of thing very well.

Don't let me give the impression that Books for Cooks is a palace of promotional picture-books. You will find there the proceedings of the Oxford Symposia on cookery and some facsimiles of ancient works. But Heidi Lascelles is nothing if not an expert in the way the business is developing, here and abroad, and she holds strong opinions on the right way ahead.

Peter Fort

Books old and new for cooks plain and fancy

COOKERY BOOKS are getting better all the time. Any reader who thinks that everything is automatically getting worse—and that more means worse—should turn their attention to the cookery shelves—or better still go round to Books for Cooks.

Most amateur cooks lust after cookery books and when I found Heidi Lascelles manning a stand at the International Food and Drink Exhibition at Olympia I hastened to it. Last month I hastened to it. Where is her shop? Just near Portobello Road. Does she have then a huge stock of second-hand books? Not at all, nearly everything new.

For a moment I felt disappointed: but what's so special about an old cookery book? Well, there's my own old copy of Elizabeth David's "French Provincial Cookery," bought new in 1962 and now looking like a tramp's bundle of rags, like a tramp's bundle of rags, not only spineless but brown with grime and honest sweat.

But, like an old teddy bear it is special only to me, no value to anyone else.

Old cookery books have their charm and their uses. A very few are pioneering works, like the recipes of Boulestin and Pomiane. Often they breathe a pleasant air of Edwardian dinner parties, of brown gravies and Imperial Stout with the oysters. But functionally they are largely dead and they belong in the library, not the kitchen.

Old cookery books are not as good as modern ones; most of the second-hand cookery books you will find in any second-hand shop are written in the 'thirties and 'forties by

ladies from "Home Notes," telling young housewives how to make Brown Windsor soup without a cook. I have sometimes been tempted by these and they sit unloved and unstudied on the shelf.

Books for Cooks (4 Blenheim Crescent) is—considering it only sells new cookery books—very much larger than I imagined. Heidi Lascelles, who runs it, is a very energetic woman and she scoops in a lot of material from France, Germany and the US. At the back of the shop is a little kitchen where writers can cook something up for a demonstration or a promotion.

Inevitably, quite a lot of space is given to health foods and diets because this seems to be an area in which reading and cooking go exceptionally close together (is it that people who deny themselves eating are particularly prone to reading about it?) or are considerations of nutrition (which used to be such a faddy thing) moving into the mainstream of people's food thinking? Oh, the latter, I suppose.

But most of the books are beautiful, and not just with lovely pictures of food. "Coffee-table cookbooks" we think, imagining a golden age when it was not so. But what is



FOOD FOR THOUGHT

wrong with lavish illustrations? One of the prettiest—and most often consulted—books I own is a shameless coffee-table book called "The Book of Ingredients" by Philip Dowell and Adrian Bailey, whose main raison d'être is a series of stunning colour photographs of

"I always said I'd rather die than sell my fiddle?"



Unfortunately for some, there comes a moment when that choice has to be made.

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Zara Steiner on the eccentric career of an old-style British diplomat

Holy See's war

BRITAIN AND THE VATICAN DURING THE SECOND WORLD WAR
by Owen Chadwick
Cambridge UP, £25.00, 332 pages.

D'Arcy Godolphin Osborne, the British minister to the Holy See from 1936-47, is a figure of some importance whom Owen Chadwick has rescued from obscurity by making him the main subject of his Ford Lectures delivered in Oxford in 1981.

Osborne, a bachelor who ended his life in Rome as the last Duke of Leeds, remained at his post even after Italy entered the war. Accompanied by his secretary, butler, carter, and four Italian servants, one a Fascist spy who had to be dismissed, Osborne moved into confined quarters within the Papal City remaining there until after the Italian armistice. As well as Osborne, Professor Chadwick presents a fascinating and essentially sympathetic portrait of Pius XII, a man whom Osborne found humane, warm, sensitive and even saintly but wanting in decisiveness and ever fearful of compromising the neutrality of the Papacy.

Using Osborne's diaries and dispatches, Professor Chadwick provides much new information on the activities of both wartime popes. He is particularly interesting on Pius XII's involvement with the conservative opposition to Hitler in 1940, questioning whether the British missed an opportunity on this occasion. The same conspirators were to consider approaching Osborne and Pius XII again in 1943.

There is a brilliant chapter on the conclave of 1939 written with the ironic verve one has come to expect from Owen Chadwick. New light is cast on papal attempts at a compromise peace after the French armistice. The final chapters include a striking depiction of the German occupation of Rome as seen from inside the Vatican; and the small but arresting detail that the Pope hoped no coloured troops would be garrisoned in Rome when the Allied occupation began.

The central figure of the book is Osborne, an old-fashioned aristocrat right out of the pages of Harold Nicolson's *Some People*. Even at the worst of times, this man who liked the good things of life had his supply of whisky and brandies. His butler used the black-market to provide diplomatic luncheons (not lunches) which would not shame his master. Little was expected of the

minister to the Holy See though both the British and French had hoped for support from Pius XII whose candidature they had strongly backed. The Foreign Office wanted Osborne to remain at the Vatican to underline the Holy See's independence and neutrality. Osborne, in turn, suffered from boredom, physical confinement and all the other irritations of a restricted and semi-monastic life.

Nonetheless, he found ways to be useful to London without openly violating the terms of his continued residence. Dispatches were carefully composed in cypher to keep London informed without compromising the Vatican for it was known that the papal diplomatic bag was searched and it was correctly surmised that even Osborne's cypher had been broken.

The minister recorded the daily BBC news bulletin for the Pope providing the only channel for Allied information. If Professor Chadwick is correct, for his sources naturally highlight Osborne's role, the British minister was centrally involved in the Italian peace negotiations of 1943 and his cypher used during the armistice negotiations. Once the Germans entered Rome, Osborne and his butler created an escape route for ex-prisoners and refugees, activities which were known but tolerated by the German ambassador, von Weizsäcker, for whom Professor Chadwick has considerable sympathy, and even by some of the Vatican authorities, until the Gestapo intervened.

Osborne's relations with his "hosts" were complex. He was aware of papal sympathy for the Allied cause but dismayed by the silence of Radio Vatican and the muzzling of Observatore Romano, the Vatican newspaper, which had followed an independent line much to Mussolini's annoyance. Even more frustrating was the refusal to condemn publicly the rising tide of Nazi atrocities. Osborne repeatedly pressed the Pope to speak out only to be turned softly away by a combination of papal charm and saintliness.

It was not until the summer of 1942, according to Osborne's diary, that the news of the Final Solution reached the British envoy, who, with others, demanded a clear denunciation of the German massacres of the Jews. By December, even Osborne's patience had worn thin by what he later called the Pope's "meticulous and seem-

ingly pusillanimous" neutrality. In particular, Osborne was appalled by the contrast between the Pope's silence in the face of the Holocaust and his active if unsuccessful campaign to preserve Rome (the Vatican was promised immunity) from Allied bombardment.

The Pope's much heralded Christmas message of 1942 was hardly strong or clear, mentioning only the "hundreds of thousands of innocent people put to death... sometimes merely because of their race or descent." But it seemed all that could be secured either then or later when the Jews of Rome were rounded up for deportation to Auschwitz. Osborne ceased to petition the Pope and turned his attention to the papal protests over the bombing of Monte Cassino and Rome which the minister personally deplored.

Chadwick confirms that the Vatican, though not Osborne, learned from the very abbot whom the Nazis used to denounce the Allies that the monastic grounds had been used by German military forces. Chadwick critically examines Britain's role in these raids as well as its part in the armistice negotiations, though much here depends on a consideration of material which lies outside even this author's range.

This is an engaging and engrossing double portrait of a British minister and a Pope. The book is a pleasure to read, balanced, fair, reasoned, witty, and never boring. Chadwick stresses the practical limitations on what the Papacy could do and the doctrine of preserving the Church eternal rather than its intervening in the struggles of the day. Yet he never directly or personally wrestles with the basic question which this study of Pius XII inevitably raises. Can a Pope who keeps his silence and offers no clear condemnation of such barbarous acts be called saintly?

To argue that others were equally passive, or that nothing the Pope could have said would have helped the victims, avoids the central moral issue. Is it enough to write that the Pope was not "bad enough" to comprehend the nature and extent of the Holocaust, or to contend, as Chadwick does, that the world in which the Pope existed was far removed from that of the death camps? One feels after finishing this book that the reader deserves a more searching and forthright conclusion from an author who is, after all, both cleric and a historian.



V. S. Naipaul: rural outlook

Naipaul goes to grass

THE ENIGMA OF ARRIVAL, A NOVEL
by V. S. Naipaul. Viking £10.95, 318 pages.

IT WAS Gissing who up to now wrote the best book about a writer retreating to a country cottage. He called it *An Author at Grass* and used the changing seasons of the year as the background to the reflections of a solitary novelist. The publisher disliked that title and made Gissing change it to *The Private Papers of Henry Ryecroft*. Gissing's earlier title was a very good way of describing V. S. Naipaul's new novel. The two books share a certain amount of common ground.

Like Ryecroft, *The Enigma of Arrival* is firmly anchored to the country cottage where the voice of the book—the I of the story—lives alone, and gives the reader a grave monologue, observations on his past life and descriptions of his present environment. Like Ryecroft, the book is much concerned with the interaction between a writer's private experience and his imaginative creations. Like Ryecroft, the fictional mode is chosen for what is the author's most personally felt book, the one which contains a directly autobiographical account of his apprenticeship years. Like Ryecroft, a pastoral mood is sustained in the first section (*Good's Garden*) and the precise location (rural Wiltshire near Salisbury Plain) established in topographical detail as the author quietly celebrates his present way of life, his bitterly earned contentment.

Then, as one season succeeds another, this illusory early mood of calm is subtly shattered and the author turns from looking at the English countryside to looking into the depths of his own soul. At the time he wrote Ryecroft, Gissing was in complete retreat from the world, trying to recover from the wounds left by two hideous marriages. He did not want to see or talk to anyone; even the cleaning woman was hidden to go about her task in complete silence. Ryecroft lives entirely through the compensation of communion with great literature.

But Naipaul, though just as reclusive as Ryecroft, has not ceased to have an active novelist's curiosity about the world around him represented by the human beings who are his neighbours in this country environment. It is his penetrating insights into the characters of these local English types, contrasted with his memories of the people he had known when he was a boy in Trinidad,

and the people he knew later when he first came to London aged 18, determined to make his mark as a writer, that lifts the novel right out of its idyllic framework and gives it a direct engagement with the contemporary world.

Naipaul has the slowest pace of any novelist now writing. He simply will not be hurried as he piles on detail after detail, some of them so trivial as to seem hardly worth recording. The market gardener has a pointed beard, the car hire man does a peaked cap when he goes off to work, the gardener up at the manor wears a felt hat and a tweed suit. Then, suddenly, all in Naipaul's own good time, these details, which may have been sketched in 50 pages ago, click startlingly into place: we have a revelation, an apotheosis. It is a technique which owes as much to Conan Doyle as it does to Proust. At any rate it serves to make this humdrum collection of people, trying to eke out a living in a part of England which has no longer any use for such skills as they possess, among the best realised characters in modern English fiction.

The novelist succeeds in defining them not only in relation to himself, an alien presence in many senses, whom they are slow to accept, but also in relation to the process of historical change of which they are living testimony. He is acutely conscious of both the permanence and the transitoriness of all human endeavour. The book takes us near its end to the funeral in Trinidad of the novelist's sister, a ceremony conducted with the full ritual and prayers of Hindu tradition. The funeral service reveals the permanence of that tradition even though many of those present are deeply sceptical of its significance. The whole structure of the family as seen in the mourners present has changed as much as the country itself since the novelist's youth. Through his patient method of detailed accumulation Naipaul shows a similar pattern of change affecting the world of the English manor house, its land and dependent cottages in one of which he is a tenant. The island of Trinidad, turning from the slump in sugar to the boom in oil, and the Wiltshire village, turning from Edwardian feudalism to the egalitarian unemployment of modern times, are both encompassed by the novelist's sweeping vision. No one who wishes to enjoy the rich experience and rewards offered by a novelist, who demands from his readers a tenacity as great as his own, can afford to neglect this fine book.

Anthony Curtis

CRIME

RAZOR SHARP
by Mike Winters.
Weidenfeld & Nicolson.
£9.95 244 pages.

TONY FLORENTINO is back. The young New York show business agent, who helped bust a drugs ring in Mike Winters' first novel, *Miami*. One Way, puts his unconventional methods to work to unmask a psychopathic murderer.

This time the action is in England, where Tony is accompanying his latest act, a comedian with a cocaine habit.

They are part of a group of Americans who are taking part in a series of TV shows, and when a young girl is brutally slaughtered Tony works out that one of his party of weirdos must be the killer.

Despite the grim subject of the crime there is plenty of humour, with Tony blundering his way towards financial success, watched over at a distance by his ex-boxer father—one of the really endearing creations of recent crime fiction.

The show business background helps to give authenticity to this pacey, racy, brutal tale.

Brian Ager

Malcolm Rutherford on Heseltine's strictures and proposals

Ex-minister speaks

WHERE THERE'S A WILL
by Michael Heseltine.
Hutchinson £12.95, 312 pages.

MICHAEL HESELTINE, the Defence Secretary who resigned from Mrs Thatcher's Cabinet over Westland last year, has performed the remarkable feat of not spilling any beans, not making any personal attacks, yet still writing a rather engaging book about his political philosophy.

Westland is not mentioned; neither is Mrs Thatcher, except in passing. Yet *Where There's a Will* is clearly a basis for Heseltine's manifesto for the time when the Tory leadership begins to become vacant.

Heseltine differs from the bulk of the present leadership in two respects. One is that he has impeccable credentials in the private sector, believing in privatisation, wider share ownership—the lot, but at the same time thinks that there should be a stronger role for the Department of Trade and Industry.

The other is that he is perhaps a more determined and passionate politician than any member of the present Cabinet, save the Prime Minister herself.

Quite why so many leading Tories would give their teeth to be Secretary of State for Trade and Industry is one of the mysteries of Mrs Thatcher's Conservative Party. But it is the case, and Heseltine is one of them. Not only would he strengthen the Department; he would make the Secretary of State preside over the meeting of the National Economic Development Council as well as over an enhanced Cabinet Committee, and altogether upstage the Treasury.

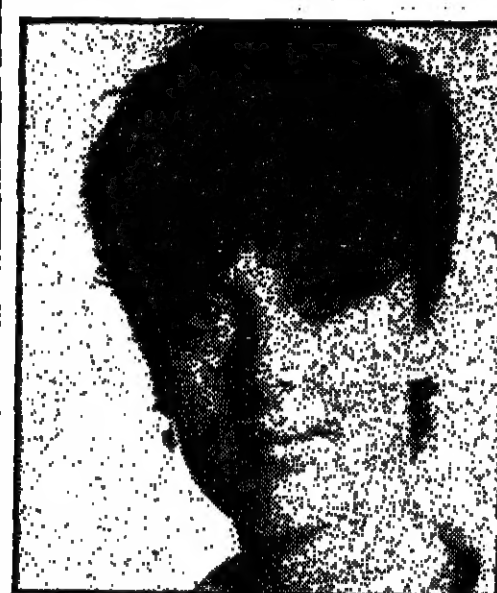
The theory is that only through closer co-operation between government and industry will Britain be able to compete in the big league with France, West Germany and Japan. The thinking is remarkably similar to that of John Smith, the Labour shadow secretary. It is most unlikely that Heseltine will get the job so long as the present Prime Minister has anything to do with it, but he has set out what he thinks and done so without rancour.

Where he is closer to the nerve of the government, however, is in his determination that something can be done about the inner cities. As Secretary of State for the Environment, he was responsible for Merseyside and other blighted areas. He sought to harness

public and private capital and to introduce any bright idea that he came across. This is the best part of the book. No other Minister has gone about the task with comparable vigour.

He tells one story previously unknown to me. The man most responsive to Heseltine's appeal to the private sector to help renovate Merseyside was Robin Leigh-Pemberton, then the chairman of the National Westminster Bank. It was he who mobilised businessmen to go to Liverpool and see for themselves. Perhaps that goes some way to explaining his elevation to the Governorship of the Bank of England.

Peter Walker, one of Heseltine's mentors, said at the time that the chief result of his resignation was that the Cabinet looked a lot greyer. The Prime Minister now faces a problem: can she, should she, bring him back benches? He has a Welsh background. She could make him Secretary of State for Wales where he could apply his policies to his heart's content and without undue interference from anyone else. The post is about to fall vacant.



Amanda Prantera and Jeanette Halen: posing crucial questions

Byronic software

LORD BYRON
by Amanda Prantera
Jonathan Cape, £9.95, 174 pages.

CONFESSIONS OF A GOOD ARAB
by Yoram Kaniuk, translated by Dalia Bilu.
Peter Halban, £9.95, 215 pages.

THE ALL OF IT
by Jeannette Halen.
Faber & Faber, £9.95, 145 pages.

A SPORT AND A PASTIME
by James Salter.
Jonathan Cape, £9.95, 191 pages.

A RATHER pretty girl inclined like so many of us, to confuse software with hardware, gets Byron to answer questions about his Cambridge days in 1805. Or rather gets the computer, which has been fed every single findable fact about him, to come up with every single possible or improbable answer (if I read things correctly, which, Anna, I may not).

Fat, pasty-faced and pathetically rather than romantically lame, Byron at 17 is not the pop-idol he is to grow into; and his shabby confidence in his own identity (sexual or otherwise) is further undermined when, in a further undercurrent, he is a chapel, his great merit that of a radiantly beautiful choirboy. Well, Anna asks, how is it all to be interpreted? To whom are the *Thyrs* poems addressed? Is there a single great love in a life as full of lovers as Byron's?

This is a sparkling book by Amanda Prantera, written with an elegance that makes each sentence, soft or hard, a pleasure whatever it deals with. All to easily a book as idiosyncratically planned might seem to be straining too hard for credibility, or becoming an essay in literary science fiction. But not a bit of it. Seldom has my disbelief been so willingly suspended.

Confessions of a Good Arab races along in short sentences, simple in style but complex in meaning and feeling, a marvelous read which seems extremely well translated (i.e. reads like original work). Yoram, who writes his own story, has two names, Rosenzweig, his mother's, and Sharara, his father's — two identity cards, as he needs them, and two distinct identities, sets of feeling, loyalties, loves and hatreds. One identity is uppermost sometimes, the other at others, and each is as powerful and all-absorbing as the other. Behind his life is that of the grand parents who fled from Germany before the Holocaust; and of his father, the miraculously beautiful Arab Azouri.

The terrible incongruity of two peoples who hate each other in the one place comes home to Yoram when he visits the home of an Arab friend who has been killed, bringing his sympathy, only to be thrown out by the father who sees him as a Jew.

Similarly, on the Jewish side, he is reviled and hated as an Arab.

Thus Israel seems impossible for Yoram. Significantly, the story is set to end in the most neutral, most internationalised, most flavourless city of all, Geneva. Artist, activist, Yoram is impossible to pin down; he is persona, like his race, is fluid. There are many novels today about farcical incompatibilities, the myths of enmity. But I have never felt so strongly the despairing impossibility of commitment and understanding as in this one.

The All of It, in its way, also a story of impossible relationships and star-crossed lovers. Very short, very spare, a novella to be read at a sitting, it is hung loosely on the fishing exploits of Declan, a country priest in County Mayo who ends by catching a salmon weighing nearly 25 lb. ("You'll be God Himself in the pulpit tomorrow," he is told). But behind the carefully described sport in the cold and the rain is the story of Kevin, who dies after telling his good friend Fr

Declan that he and Ends, for nearly half a century considered so, are not in fact married, and even more mysteriously, are unable to marry on his deathbed. After Kevin's death, Declan tells him why: they were brother and sister.

This is a first novel by a well-known American concert pianist. An unlikely setting, from someone of her background, it would be hard to imagine. But the imaginative leap into lives of great simplicity and harshness is triumphantly achieved.

A *Sport and a Pastime* was originally published 20 years ago in America; and it is late to be able to welcome its appearance in Britain.

A plain, unadorned narrative — short sentences and much dialogue — tells the story of a young American, driving through France, his love affair with a provincial girl, stays in small hotels. Very direct, cinematic, sensual and complete.

Isabel Quigly

Horror story

REQUIEM FOR A WOMAN'S SOUL
by Omar Rivabella, translated by Paul Riviera and Omar Rivabella.
Penguin, £2.95, 116 pages.

WHEN Requiem for a Woman's Soul got its first English language publication in the United States, Omar Rivabella's book was greeted with the kind of interest and unqualified enthusiasm usually reserved for Garcia Marquez or a Vargas Llosa.

Judging by the publicity surrounding the book's first British publication, Penguin books is clearly counting on an equally bubbly reception this side of the Atlantic. The "boom" in Latin American literature beginning in the 1970s with 100 Years of Solitude and temporary revived in 1985 with Isabel Allende's *House of the Spirits* is in the publishers' view now alive, well and kicking.

Mr Rivabella has certainly picked on a sexy story, and I choose my words carefully. The blurb on the cover of this paperback, running to a little over 100 pages, describes the novelette as a "story of hell on earth, the anguished record of Susanna's incarceration, torture and despair in a political prison."

It would not have been amiss for the blurb to mention that on almost every other page, Mr Rivabella presents us with a fish-eye focus on the sexual abuse of

the female sex. Oral rape, buggery, masturbation, whipping, water submersion, every trick in the sadomasochistic handbook is gleefully worked over by Mr Rivabella.

Why, one asks, did Mr Rivabella not write a Requiem for a Man's Soul, or at the very least put Susanna in the accurate historical context of clandestine camps where men outnumbered women and where torture was never exclusively sexual?

The book is compiled in the form of two juxtaposed diaries. The first written by a village priest, the second by a political prisoner, both living in an unnamed Latin American country which Mr Rivabella seems to want us to identify as Argentina of the juntas. The priest's entry is the description of the discovery of a box filled with dirty bits of paper. As he begins to read them he realises that they are the diary of Susanna, smuggled out of prison. The more the priest reads the greater is his moral dilemma, unsure of whether the true condition is that of a confessor or passive witness.

These are the elements from which someone like Graham Greene could have made a "master" work. But here the style is forced, less art than clumsy artifice, the characters of the main players conveyed neither physically nor psychologically. Even as pornography, the book is a failure.

Jimmy Burns

Girls and painters

THE PRECARIOUSLY PRIVILEGED: A PROFESSIONAL FAMILY IN VICTORIAN LONDON
by Zuzanna Shonfield. Oxford.
£17.50, 247 pages.

THE MARSHALL FAMILY were on the fringe of several circles of late Victorian society. Dr Marshall was a distinguished surgeon and an FRS, but just missed a title. He is just known now for having been Rossetti's doctor and attending the Madox Browns and other artists who paid his bills late and with sketches. But it meant that his wife and family were invited to "arty" parties. It is on the diaries kept by the younger daughter, Jeannette, that this story of the Marshall's typical middle-class life is based. Jeannette was pretty and pert but to her chagrin the beau who enjoyed her wit and admired her looks had no intention of taking them into matrimony.

The caustic remarks on clothes and manners in the diary tell us nothing of the personalities concerned, that she met. At the Madox Browns, for instance, did she see Rossetti playing Mrs Morris with strawberries? Was Emma Brown always drunk? Did Marie Still-

man bully her daughters into playing the piano? Again, medical calls of interest cross the pages, but Elizabeth Garrett Anderson disappears into the Doctor's study and Sir Henry Acland, close friend of Ruskin, confidant of Prince Albert on drainage, the first to use the stethoscope on reluctant female patients, only comes in by the wrong door.

Jeannette and her sister were not in the Cimabue Brown set but copied the dresses and décor. They became more involved when Art Nouveau gave way to the later humdrum phase. Jeannette even sent samples of her handwork to the Morris firm only to have it turned down by Beattie Burden. The sisters were among the culture-vultures who attended the Arts and Crafts lectures which proliferated at the fashionable New Gallery in Regent Street where they went to hear William Morris and his followers.

Now the diaries expand to provide more details, still caustic but with a basis of serious interest. This is welcome since most accounts of the characters concerned have been written either by pious disciples or irreverent outsiders. The young Marie Praz seeing them on his first visit to London

found "old men got up to look like artists... with slovenly clothes and the yellow faces of dyspeptic dunces." Jeannette notes that Cobden Sanderson has a "nose like a sharp red pencil" and has to keep hitching up "the leather band he wore instead of braces." Henry Holiday has "the most distressing 'champagne-bottle' shoulder."

But she shows respect for Morris himself. He may sway from foot to foot and have a bad delivery but "he spoke in most excellent and varied English." She also commented with some shrewdness: "Why should we go back to the Gothic when he objects to going back to anything else?"

At thirty-five, just when she thought she would have recollected herself to spinsterhood, she met a widower, Edward Seaton, and decided to deal no more in flimsy dalliance, as she called her flirtations, but to accept his offer of marriage. She found him an uncomfortably ardent lover but put up with it. They had one daughter and all lived happily enough ever after.

Jeannette Shonfield has made an interesting period piece out of this material.

Rosalie Mander

Paying for the peace

DOCUMENTS ON BRITISH POLICY OVERSEAS: SERIES I, VOLUME III
edited by Roger Bullen and M. E. Pelly. HMSO £35.00, 435 pages.

THE ANGLO-AMERICAN loan negotiations of August to December 1945 were an unequal struggle between an exhausted Britain, and an all-powerful US. In this third Volume of Documents on British Policy

Overseas, the story is told by Mr Bullen and Ms Pelly, with a copious array of official telegrams between London and Washington (code-named "Nabob" and "Baboon"), and a valuable summarising preface by Ms Pelly. Altogether it is a fuller and more authoritative historical account than any yet.

The sudden and (by the British) unforeseen cancellation of Lend-Lease by Truman—acting out of incomprehension rather than malice—on August 18 set off a deteriorating phase in Anglo-American relations which lasted till the Marshall speech on June 1947. The vision and magnanimity of Roosevelt had died with him, and the sophists, economists and calculators had taken over. In Keynes's words in one telegram "The grand gesture of forgetting regard which would enable us to share world responsibilities with" the US "free from undue financial pre-occupation and to join them in shaping the pattern of world commerce and currency" had vanished. So from September 6 till December 6, "substituting

prose for poetry," the negotiators battled on.

Halifax, Keynes, Brand of Lazard and Robinson, sent telegrams from Washington almost every day; and almost every night at No. 10 until December, Attlee, Bevin, Morrison, Dalton, Cripps and officials collectively replied. The Americans wanted to impose all sorts of irrelevant conditions, such as the end of Imperial Preference, the "winding down" of the UK's other debts, and convertibility of sterling. In the end all were resisted except the last, and a credit of \$4.4bn was obtained, which saved the British economy from immediate collapse and avoided a cut in food rations below wartime levels. The inevitable resulting cost was the "convertibility crisis" of August 1947.

On balance, however, it was worth the risk, as these documents make clear beyond serious dispute. For by June 1947 General Marshall had learnt the lesson, and a new and far more constructive partnership emerged.

Douglas Jay

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Forced charm

Let *The Water*, like so much of this new work, is a post-apocalyptic vision of England, "a waking dream" it is claimed. The company's publicity invokes

Alister Munro

Jazz giants descend to mediocrity

overwhelming. Here the recording balance is often awry, affecting particularly trumpeter Jim

CLIP

ocracy

Dvorak. However, the spirit is what counts and that comes through powerfully, impelled by the momentum of Africa and Abraham.

The non-South Africans, Dvorak, tenor saxist Harrison Smith and fretless bass guitarist Dill Katz are no slouches, though, in conveying the sad—and happy—African feelings. Smith has an extended work-out on "Drums for Nelson" while Katz contributes some steamy accompaniment on "Ilanga," named after another black township.

Kevin Henriques

Kevin Henriques

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[illegible]

Radio

Serial bound on Sunday

Another Beach turns up on Wednesday's new serial, *P.G. Wodehouse's Summer Lightning*, so full of familiarities that it is hard to believe one has not heard it before. The dramatised version is by Richard Usborne, our greatest Wodehouse expert; Lord Emsworth is played by Richard Vernon, the Hon. Galahad by Ian Carmichael. This is the one about Hugo Carmody and Sue Brown and Ronnie Fish. Dorothy Bateson plays Beach

Another six-part series, that began on Radio 3 on Sunday, is Lord Rawlinson's examination of the influence of the Jesuits; but it would be better to wait until I have heard a little more.

B. A. Young

im although all its formalities are excruciatingly detailed in what seems a celebration of its purely technical achievement. The cast is overburdened with professionals, including a therapist, GP and surgeon. Any-

tionio's Jenny, the woman who inspires the operation and befriends Peter, seems the model of sophisticated femininity, from whom Peter learns to hold a glass and walk like a woman. But she has her own aggressiveness that causes a

with cloven hooves." Peter rejects this image, causing his angry rejection of her as well. The result is a musical that uses music to hide feelings rather than display them.

Frank Lipsius

traditional) but in commissioned designs inspired by the Impressionist in Cross-stitch technique—Do call and see them and the incredible double-sided hand embroidered pictures each on its own card and case, Cherry wood, free standing frame. Lower Grosvenor, Grosvenor Gardens. Famous Silk Shop, 56-58, Duke Street. Grosvenor Square, London W1M 6HS. 9-5 Mon-Fri.; 9-2 Sat.

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If 1 ... K-Q4 2 Q-B5 ch and 3
N-B8 or 3 Q-B4. If 1 ... P-K7;
2 N-B6 ch, K-B5; 3 P-N3. If 1 ...
K-B5; 2 Q-K5 ch, K-N5; 3 Q-KN5.

B. A. Young

